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Lebanese Accord Splits Arab States Into Three Camps

By David B. Ottaway
Washington Post Service

RIYADH — The Arab world has split three ways over the Israeli-Lebanese withdrawal agreement with no likelihood that a consensus will ever be reached.

Both Lebanon and Syria have launched fervid diplomatic campaigns for the support of other Arab leaders.

The Lebanese argue they have given up the least amount possible of their sovereignty in return for an Israeli withdrawal, while the Syrians are dubbing the agreement a sellout and "another Camp David."

Not since the signing of the Camp David accords has the Arab world been subjected to such diplomatic jostling.

But while a campaign at that time led to the diplomatic and economic isolation of Egypt within the Arab community, the opponents of the Lebanese-Israeli agreement are fewer in number and weaker in strength.

Another Arab League boycott seems out of the question. But Syria could inflict serious economic damage on Lebanon by closing its border to Lebanese trade routes to the Arab world.

The traditional divide between Arab hard-liners and moderates has re-emerged, with Syria, Libya and the Palestine Liberation Organization leading the first camp, and Egypt speaking most loudly in support of Lebanon and the agreement.

And a third bloc has emerged, led by Saudi Arabia. The Saudi Arabians have avoided taking a clear stand on the accord, apparently in hopes of eventually playing a bridging role between Syria and Lebanon.

In an ambiguous statement issued last week, the new Saudi foreign minister, Ali Shuaib, said Saudi Arabia respected "the free will of the Lebanese people as manifested through their constitutional institutions," a reference to the unanimous vote of the Lebanese parliament in favor of the withdrawal agreement.

But the statement went on to call for "the complete preservation of Lebanon's independence, Arabism, security and stability," the elements Syria claims are being undermined by the accord.

The Saudi position was adopted almost verbatim in a meeting Thursday in Riyadh of the foreign ministers from the six-nation Gulf Cooperation Council. The only change — and it favored Syria — was an additional warning to Lebanon to adhere to the Arab League resolutions "aimed at not exposing its security and safety, or the security and safety of any Arab nation, to dangers."

Exactly what the Saudi Arabians are willing to do is unclear. But analysts doubt King Fahd will do more than try to press President Hafez al-Assad of Syria into meeting with President Amin Gemayel of Lebanon. Saudi Arabia has some leverage over Syria because of its yearly contribution to Damascus of about half a billion dollars, which ostensibly is to help the Syrians as a front-line state against Israel.

One report circulating in Riyadh says Saudi Arabia tried to arrange such a meeting even before the Israeli-Lebanese accords were signed.

But Syria's adamant rejection of the agreement makes it unclear what such a meeting could accomplish. Abdul Halim Khaddam, the Syrian foreign minister, said in an interview Saturday that Syria was willing to talk to Lebanon only about a complete renegotiation of the agreement.

"The agreement has given Israel political and security advantages and privileges that threaten directly Syria's peace, security and future and consequently the peace, security and future of the entire Arab nation," Mr. Khaddam told Radio Monte Carlo. He said Syria would "spare no effort to foil" the agreement.

Syria on Saturday dispatched its information minister, Ahmed Iskander Ahmed, with a message for King Fahd, only two weeks after the visit here of Mr. Assad and Mr. Khaddam for talks about the Israeli-Lebanese accord.

At last week, Monner Qadafi of Libya sent an envoy, Ahmed Qaddafi-Adem, to try to gain Saudi support for the Syrian rejection. He got a royal welcome from King Fahd and Crown Prince Abdullah.

For its part, Lebanon has dispatched several high-ranking officials to the Arab Gulf states, the Young, Egypt and Syria are backing.

But unlike the inter-Arab battle over the Camp David accords, neither Iraq nor Algeria has taken a position in the forefront of the hard-liners. Lebanese officials say President Saddam Hussein of Iraq has given a measure of support to the Lebanese-Israeli agreement.

Iraq's stance and Algeria's relative moderation seem certain to strengthen Lebanon's hand. Its supporters, when the tally is completed, seem likely to include Sudan, Somalia, Oman, Morocco and Tunisia as well as Egypt.

This would appear to rule out any collective action by the Arab League and leave open the door for some kind of mediation.



PROTEST AT SS REUNION — Police arresting a leftist demonstrator in Bad Hersfeld, West Germany. A riot broke out after demonstrators protesting a reunion of Nazi SS veterans Saturday clashed with neo-Nazis in a parking lot behind the town square. Police said at least five persons were wounded and several arrested.

NATO Is Said to Study Cutting Polish Sanctions

By Don Oberdorfer
Washington Post Service

WASHINGTON — The United States and its allies in the North Atlantic Treaty Organization have begun discussing a gradual dismantling of sanctions against the military government in Poland, according to Reagan administration sources.

No decisions are expected before the NATO ministerial meeting in Paris on June 9 and 10, and even then the position of the alliance is likely to hinge on the outcome of Pope John Paul II's trip to Poland, which is to begin June 16.

However, preliminary talks already have been held in Washington and in Europe on ways of easing the trade restrictions and other curbs adopted in response to the imposition of martial law in Poland in December 1981.

The sanctions include bans on further extensions of official credit and trade insurance, denial of trade benefits, curtailment of Polish civil aviation and fishing rights and limits on cultural exchanges.

Last Tuesday, President Ronald Reagan lifted an additional sanction he had imposed on the Soviet Union for its backing of the Polish military takeover, announcing that Washington and Moscow would begin talks soon on a new long-term grain agreement.

Informal sources said that in confidential discussions in Europe, Richard R. Burt, the U.S. assistant secretary of state for European affairs, suggested that the United States and the NATO allies explore ways of lifting the sanctions gradually, with each step conditioned on reciprocal actions by the Polish government.

Mr. Burt's suggestion and other ideas about policy toward Poland are said to have been under consideration in Brussels in the past two weeks in the North Atlantic Council, composed of representatives of all the NATO countries.

In Paris, meanwhile, representatives of the U.S. State and Treasury departments participated in informal talks last week with representatives of other creditor nations on ways to handle Poland's official debts to the West, estimated at \$13.7 billion.

Most of the Western nations have refused official debt rescheduling talks with the Warsaw government since martial law was declared.

A senior administration official said the President's Reagan had made no decision to lift or even to amend the sanctions he imposed on Poland in reaction to the suppression of the Solidarity independent trade union under the rule of General Wojciech Jaruzelski.

Mr. Reagan was depicted by this source as resistant to anything that would reduce the external pressure on Poland so long as the repression continues.

Following a White House briefing for congressional leaders on the talks over a long-term Soviet grain agreement, some prominent lawmakers voiced a different viewpoint, however.

The Senate Republican leader, Howard H. Baker Jr. of Tennessee, said: "I think it is clear to everyone now that Poland is better off now than they were two years ago or even a year ago, and I think this was an appropriate time to renew efforts to renew dependable trade with the Soviet Union."

Even White House opponents of a shift on Poland are aware of growing backing for a change among some European allies.

Poland reportedly has come up in earlier discussions between Mr. Reagan and Chancellor Helmut Kohl of West Germany, who has been urging greater allied flexibility.

State Department officials listed Poland among the items likely to be discussed by the leaders at the seven-nation summit at Williamsburg, Virginia, later this week.

An interagency study under the leadership of the State Department, completed earlier this year, was said by a knowledgeable source to advocate "nothing back" sanctions, step by step.

The basic concern of State Department and some other U.S. officials is to prevent a split in the Western alliance on the issue.

Poland's large-scale debt to the West continues to be a central point of contention.

In early 1982, a faction in the Reagan administration headed by Alexander M. Haig Jr., then secretary of state, defeated proposals to force Poland into default on its debts, on the ground that the Western banking system could have been severely damaged in the process.

Private U.S. and West European banks were permitted to negotiate with Poland on a new repayment schedule for the private bank debts, even though the Western allies refused to reschedule Poland's official debt.

The result has been that Poland is paying the private banks on a gradual basis but is paying nothing on its official debt because of the absence of any agreement. Some European officials have argued that the lack of such an agreement is a hidden subsidy to Poland.

According to Wharton Economic Forecasting Associates, Poland owes \$13.7 billion to Western governments. This is slightly more than half the \$26.6-billion public and private Polish debt to the West, Wharton calculated.

The largest Polish creditors are West Germany, the United States, France and Britain, in that order. Poland owes about \$1.8 billion to the U.S. government and \$1.1 billion to banks and businesses, Wharton said.

Lebanon's foreign minister says Israeli-Lebanese accord could be if it is not applied soon. Page 2.

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Rebels Call Bombing in Pretoria 'Escalation' of War on Apartheid

By John Vinocur
New York Times Service

NAIROBI — The leader of the African National Congress of South Africa has announced that the car-bomb attack in Pretoria on Friday "signaled" an "escalation" of the struggle against white-minority rule.

At a news conference in Nairobi Saturday night, Oliver Tambo, the ANC's leader, declined to claim responsibility on behalf of his organization for the attack, which killed 17 people, among them eight blacks, and wounded 188 at a military intelligence installation in Pretoria.

Mr. Tambo, who is the organization's acting president while its senior figure, Nelson Mandela, is in detention, threw little light on his decision not to take responsibility for the attack. There was speculation, denied by Mr. Tambo, that the Zambian government, fearful of South African reprisals, had pressured him into an ambiguous statement.

The escalation, Mr. Tambo said, means that his organization, the most prominent of the nationalist movements outlawed by the South African government, will extend its military operations from the sabotage of buildings, railways and bridges to "attacking the enemy forces."

Asked whether the car-bomb attack was, therefore, an example of the kind of nationalist operation to be expected in South Africa, Mr. Tambo replied, "Absolutely, yes, indeed."

"Never again, never again are our people going to be doing all the bleeding, never again," he said earlier at the news conference. "Don't you think that we have offered the other cheek so many times that there is no cheek left to turn?"

Earlier Saturday the African National Congress office in Lusaka, Zambia, issued a statement saying the "escalating armed struggle" would "make itself felt among an increasing number of those who have chosen to serve in the enemy's forces of repression."

The statement did not take responsibility for the explosion itself, but it came close to a tacit acknowledgment that the group's military arm, known as Umkhonto we Sizwe, or Spear of the Nation, was behind the attack.

The movement's statement appeared to be carefully worded to avoid giving the South African armed forces a pretext for a retaliatory attack on Zambia or other black states where the group's exiled representatives are stationed.

Thus it stressed that the armed struggle was being "carried out within our country," an emphasis apparently intended to distance the cadres from the attack.

In fact, nearly all known sabotage attacks in South Africa in recent years have been traced to exiles who are based back into South Africa after military training abroad.

Neither the statement nor Mr. Tambo suggested that the nationalist goal had shifted to the point of including civilians in its catalog of targets.

Mr. Tambo said that until now his organization had concentrated on sabotage attacks against installations and had sought to avoid combat with military personnel. But it was forced to revise its tactics, he said, by Pretoria's commando raids against South African blacks in Mozambique in 1981 and in Lesotho in 1982 and by a series of assassinations of figures of the African National Congress.

U.S. Says Raids Killed Hundreds of Afghans

By Bernard Gwertzman
New York Times Service

WASHINGTON — The United States has charged the Soviet Union with killing hundreds of Afghans in a series of "massive and ruthless" bombing raids in Afghanistan in recent weeks.

"Is one of the heaviest statements," the State Department said in a statement issued Saturday.

The State Department has issued about Soviet actions in Afghanistan, John Hughes, the department spokesman, said Friday that the raids in and around Herat and north and west of Kabul were "intolerable by any standard of civilized behavior."

The statement said that reliable reports continued to reach Washington "of extremely heavy, brutal, and prolonged Soviet and Soviet-mandated bombing of civilian areas within Afghanistan in recent weeks."

"These reports leave no room for doubt that casualties among the civilian population have been extremely heavy," Mr. Hughes said, reading the statement. "It is not possible to measure precisely the extent of these casualties, but they certainly number many hundreds and are probably in the thousands."

Recent reports from New Delhi have described a major Soviet offensive in the Shomali region north of Kabul, which has forced thousands of refugees into the capital. The reports about the bombing raids on Herat, the third largest Afghan city, located near the border with Iran in the west, have said that as many as 50 planes a day engaged in the attacks.

The State Department said that "such a massive and ruthless assault on people who are, for the most part, without any means of defending themselves is intolerable by any standard of civilized behavior."

"It would appear that the Soviet Union believes that the world is either unaware of or no longer cares what it is doing in Afghanistan and that, in its desperation to subdue the spirit of the vast majority of Afghans, who yearn for their nation's freedom, it is willing to employ any means no matter how brutal," it said.

"We cannot stand silently by and witness this slaughter," the statement said. "The Soviet Union is aware of our strong concern. We call on it once more to desist from its heartless assault on a courageous and independent people."

The statement also called for Moscow to seek a peaceful solution that would abide by four UN General Assembly resolutions. These are, it said, the complete withdrawal of Soviet forces; self-determination for the Afghan people; an independent and nonaligned Afghanistan.

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Kenneth Clark, 79, the art historian, died Saturday in England. Page 5.

Mitterrand Calls Opposition for Consultation

By John Vinocur
New York Times Service

PARIS — President Francois Mitterrand has called most of the major opposition political leaders to the Elysee Palace for consultations this week in what appears to be an attempt to make a show of French unity before the Williamsburg economic summit meeting on Saturday.

The meetings are taking place in a climate of difficulty for the president, reinforced Sunday by publication of a poll by the country's leading opinion research organization reporting that Mr. Mitterrand's popularity has slipped to the lowest level of any president since 1958.

Aides at the White House expressed some apprehension last week that there could be discord at Williamsburg, Virginia, in proportion to the extent that Mr. Mitterrand pressed his call for reorganizing the global monetary system through an international conference and his contention that the U.S. budget deficit is a prime cause of the continuing world recession.

Among the visitors scheduled to see Mr. Mitterrand is Valéry Giscard d'Estaing, the former president, who has turned down three previous invitations to the presidential palace since his defeat in May 1981. In articles published last week in Le Monde and in other countries, Mr. Giscard d'Estaing took a monetary line somewhat parallel to that of Mr. Mitterrand, advocating a return to fixed exchange rates and long-term preparations for a conference that would stabilize and set relationships among the major currencies.

The group being consulted by Mr. Mitterrand does not include the former prime minister, Raymond Barre, one of the country's most popular opposition figures, who has said that correcting France's weak economic situation should take priority over the president's appeals for international intervention.

The Elysee Palace said the invitation to Mr. Giscard d'Estaing was sent before his propositions were made public, but there was no explanation of why Mr. Barre, a professor of economics who served under the former president, was not included. Although Mr. Barre has no official political organization, he consistently ranks among the opposition figures with greatest support in political opinion polls, well ahead of Mr. Giscard d'Estaing.

Commenting on Mr. Mitterrand's position, Mr. Barre said: "A country can only depend on itself. It always has the currency it deserves."

"A stable and solid currency does not depend on the organization of an international system, any more than on the position of other currencies, but rather on the economic credibility of a country," (Continued on Page 2, Col. 5)

Schmidt Says He Is Not Convinced That U.S. Is Serious in Euromissile Talks

By William Drozdzik
Washington Post Service

BONN — Helmut Schmidt, the former West German chancellor, says that he is not convinced that the Reagan administration is negotiating seriously at the Geneva talks on medium-range missiles, and that he will need to see evidence of good faith by the Americans before he can endorse deployment of U.S. nuclear missiles in Europe later this year.

In a two-hour interview here Friday with Katharine Graham, the chairman of The Washington Post Co., Mr. Schmidt also said it would be "very difficult" to place Pershing-2 missiles in West Germany beginning this December if the United States did not first resolve the controversy over how and where to base the MX missile, which would be aimed at Soviet targets from somewhere in the United States.

Mr. Schmidt criticized what he described as the vacillations of U.S. foreign policy during his eight, and a half years as chancellor and said there has "never been greater neglect for European participation in the alliance" than under the administrations of Jimmy Carter and Ronald Reagan.

Mr. Schmidt, who appeared relaxed, said he had never enjoyed life more than in the eight months since he left power. "I'm getting much more sleep and I'm now the master of my own timetable," he said.

Nonetheless, he showed that retirement had not mellowed his strong opinions or tempered the intransigence that led U.S. officials to blame Mr. Schmidt, when he was chancellor, for worsening some transatlantic quarrels.

"As chancellor I worked under four [U.S.] presidents, and it's quite an experience," Mr. Schmidt said.

"I've become greatly troubled by your handling of allies and friends."

Referring to the U.S. embargo on equipment for the Soviet natural gas pipeline to Western Europe, Mr. Schmidt said that "there was not the slightest consultation; we learned about it from the evening news."

He added that the U.S. restrictions on grain sales to the Soviet Union and the U.S.-led boycott of the 1980 Olympics in Moscow showed "enormous neglect for the alliance."

"First Carter sent his vice president to tell us almost everything done by his predecessors was wrong and implied that our cooperation was in vain and something different had to start. Then, later, along comes Reagan and he tells us the same thing."

Mr. Schmidt said such foreign policy reversals threatened Western cohesion. "The alliance needs continuity," he said. "We've put all our eggs in your basket. We even have learned to keep silent about German reunification, although it's not out of our minds."

Mr. Schmidt complained that lack of consultation has also marred allied relations over how to respond to the Soviet buildup of nuclear missiles. The goal of the Soviet policy, he said, "is to divide West Germany, in some future crisis, from the United States."

The former chancellor is considered one of the architects of the North Atlantic Treaty Organization's so-called two-track strategy, which the allies approved in December 1979. The plan called for negotiations with the Soviet Union to limit medium-range nuclear weapons in Europe, and for deployment of 572 cruise and Pershing-2 missiles if the arms talks failed to result in an agreement.

Last summer, the chief U.S. and Soviet negotiators, Paul H. Nitze and Yuri A. Kvititsky, reached a tentative, informal agreement during a walk in the woods near Geneva. Under the accord, the West would have been limited to 75 cruise missiles and the Soviet Union to 75 SS-20 missiles. That compromise was subsequently rejected in Moscow and Washington.

"I was never consulted, nor were others, on the repudiation of that plan," Mr. Schmidt said. "As I interpret the interests of my country and the West as a whole, the walk-in-the-woods deal was totally acceptable."

Mr. Schmidt now fears that the opportunity to strike an agreement with the Russians might have been lost. "It's not too late to reach an accord, but that does not say anything about the probability," he said.

He indicated that he will voice his opinion on the missile controversy once the fate of the arms talks becomes clear.

Beyond the immediate missile crisis, Mr. Schmidt said he sees a growing chasm between the United States and Western Europe over how to deal with the Soviet Union as a neighbor and adversary.

"We Europeans want to cooperate with the Soviets, especially on arms reduction," he said. "Detente seems like a dirty word in some American circles, but I must remind you that it is official NATO language."

"You will not get any European government to repudiate detente," he said. "We want to live in peace without knocking under to the Soviets."

"My own town of Hamburg has traded with Novgorod for at least 600 years," Mr. Schmidt said, referring to the northwestern Soviet city. "If we traded only with democracies we would ruin our economies very quickly."

He also criticized the notion that the West can weaken the Soviet Union through a commercial boycott. "Russians have an enormous capacity, one might even say passion, to suffer for their country, and they will certainly do so to block attempts by foreigners to prevail over them," he said.

The best way to combat Soviet influence, he said, is to use the greater prosperity in the West to promote the economies of developing countries. "Who threw the Russians out of Egypt?" Mr. Schmidt asked. He added that revolution and Soviet influence are thwarted not by weapons, but by economic aid.

"The security threat to the United States in Latin America does not come from Nicaragua, but the shaky economy of Mexico," he said. "If you do not put Mexico on a sound economic basis, the United States will soon be flooded by Mexicans pouring across the border."

Mr. Schmidt said a stable world requires dialogue between the superpowers. He called it "a great mistake" that President Reagan did not meet with Leonid I. Brezhnev, the former Soviet leader. And Mr. Schmidt said he "deplored the fact" that Mr. Reagan did not attend Mr. Brezhnev's funeral in November to show that he was willing to meet with Yuri V. Andropov, Mr. Brezhnev's successor.

Mr. Schmidt, who is 64, plans to withdraw from the leadership of the Social Democratic Party, but will stay on as a member of parliament. He also intends to write articles in his new position as co-publisher of the weekly Die Zeit, and said he may write one or two books, but "no autobiographical stuff."



VISIT — Valéry Giscard d'Estaing, left, chats with Helmut Schmidt at Aurthur Castle near Tours, France. Mr. Schmidt, the former West German chancellor, spent the weekend at the former French president's estate.

Anti-Arms Group Is an Issue in Itself

Controversy in Britain Reflects Disarmament Drive's Comeback

By R.W. Apple Jr.
New York Times Service

LONDON — Every day, thousands of members of the Campaign for Nuclear Disarmament knock on doors in all parts of Britain, urging voters to support candidates in the June 9 general election who are committed to immediate British nuclear disarmament.

In some areas there are more "peace canvassers" working for the group, known as CND, than active party workers.

Their instructions are clear. One of the papers in a bulky kit they receive from their headquarters in London tells them they must not "neglect any opportunity that CND may have as a movement" to stop Prime Minister Margaret Thatcher "from winning a new pro-nuclear majority in the House of Commons."

As a result, the organization itself — as well as Britain's independent nuclear deterrent, the preservation of U.S. bases in Britain and the deployment of intermediate-range cruise missiles here — has become a major issue in the election campaign, which formally began last week with the first opposition party rallies.

"We don't have any candidates of our own, because we wouldn't do well under the British electoral system," said Monsignor Bruce Kent, the organization's general secretary. "We're trying not to play the party game as such, and we have members who belong to Labor, to the Liberals, to the Scottish and Welsh nationalists. But the Conservatives have little to offer

on disarmament, so they see us as anti-Conservative."

Michael Heseltine, the defense secretary in Mrs. Thatcher's government, regularly denounces the organization as extremist, and last week he issued a new blast at its members as dangerous leftists.

Winston Churchill, another Tory spokesman on arms issues, said recently that the group was "stuffed full of communists, Marxists and international socialists." Mrs. Thatcher has said she "prayed" that Britain would not put its fate in the hands of those who would leave the country defenseless.

In turn, Michael Foot, the Labor leader, has complained about "sheepish sneers" against the disarmament group, and he has had some support in the press.

The Campaign for Nuclear Disarmament has made a huge comeback under Monsignor Kent, a former tank officer who took over in 1980. Its membership has grown from 3,500 to 56,000, with perhaps 150,000 more in local branches, and its income from \$40,000 a year to \$750,000. A few Communists are active in its leadership, but for the most part it draws from people who would be considered part of the mainstream of leftist and left-center politics.

Mounting concern in Britain about the U.S.-built cruise missiles, which are to be installed at two bases in Britain beginning this winter, has been a major factor in the organization's growth. At the same time, the Labor Party has swung into line with the campaign's ideas.

Monsignor Kent is a Roman Catholic priest. Cardinal Basil Hume, the head of the Roman Catholic Church in England, wrote to him last month to warn him that if the organization seemed to favor one party over others "it would be difficult for a priest to hold responsible office" in the movement. But he left the matter there and did not press for his resignation.

Earlier this month, however, Monsignor Bruno Heim, a Swiss who is the pope's envoy in Britain, wrote a much sterner letter. Those who campaign for one-sided disarmament, he said, are either "useful idiots," blinkered idealists or people who are "consciously sharing Soviet aggressiveness and ideology." He added that whichever of the possibilities applied "would have to be judged in individual cases, even that of Bruce Kent."

The letter caused an uproar. Cardinal Hume staged a public show of support for Monsignor Kent at a reception, and aides said that the cardinal was infuriated.

In a sense, the continuing controversy about the organization reflects its success. When it was in

the doldrums, nobody attacked it. The most recent poll by Market and Opinion Research International, published May 6, showed that while 72 percent of Britons opposed the country's getting rid of all its nuclear weapons, 44 percent favored cancellation of the cruise missile deployment program, compared with 42 percent who wanted to continue with it, and 14 percent were either undecided or expressed no opinion.

But the opposition to the cruise missile reached 54 percent in another survey taken by the same organization last January.

Although Mr. Foot and other Labor spokesmen have so far concentrated on Mrs. Thatcher's economic policies, they promise to turn to military policy in the coming days.

The Labor platform is unequivocal on military policy. Its "most pressing objective," the party says, "must be to prevent the deployment here or elsewhere in Western Europe of cruise or Pershing missiles, which would mark a new and dangerous escalation in the nuclear arms race."

3 Polls Show Thatcher Is Leading

United Press International

LONDON — Prime Minister Margaret Thatcher still had a substantial lead in opinion polls Sunday after the first week of election campaigning. Three opinion polls published in Sunday newspapers gave the Conservative government leads of 9 percent, 13 percent and 17 percent. That would return Mrs. Thatcher to power June 9 with a commanding majority in the House of Commons, pollsters said.

But they cautioned about the large number of undecided voters, around 13 percent in the latest surveys.



SAY CHEESE — Prime Minister Margaret Thatcher samples British cheese during a supermarket visit on a campaign tour of her constituency of Finchley, London.

Space Shuttle Barred Over Paris

By Paul Lewis
New York Times Service

PARIS — France has refused to allow the U.S. space shuttle Enterprise to make a demonstration flight over the center of Paris during its current West European tour, although the British, Belgian, West German and Dutch governments have invited the craft to fly over their capitals.

France maintains a strict ban on flights over its capital for security reasons. Commercial airlines are almost never seen in the Paris skies.

The Enterprise will be shown at the Paris Air Show opening Thursday at Le Bourget Airport outside Paris, and will make regular demonstration flights atop its carrier plane there until the close of the show June 5.

When French aviation officials told their American counterparts Saturday that the Enterprise will not be allowed to fly over Paris, they said the decision was political and had come from the Elysee Palace, according to sources present at the talks. A French government spokesman declined to comment.

The allegation heightened speculation in diplomatic circles that the French government wants to deny the shuttle the spectacular publicity a flight across Paris would bring, because it is an American technological triumph that would compete with the French-built Ariane rocket for contracts to put communications satellites into orbit.

Privately, French officials have been saying for several days that the government would probably turn down the request by the U.S. National Aeronautics and Space Administration because it saw no reason to relax rigid security rules in order to give publicity to an American invention.

The Ariane rocket, which is built by France with help from some other member countries of the European Space Agency, has been plagued by technical troubles.

It is also a technological generation behind the shuttle because it can only be used once, while the Enterprise can carry satellites into space and return to be used again.

The United States wanted to fly the Enterprise piggyback on a modified Boeing 747 along the Paris section of the Seine river on June 1 to celebrate a meeting between NASA Administrator James M. Beggs and Erik Quintgaard, director general of the European Space Agency. The idea, according to NASA, was to draw attention to U.S.-European cooperation on space research.

Last week, French aviation authorities said they wanted to discuss the shuttle's handling characteristics with one of its pilots. NASA officials arranged for Captain Joseph Algranti to fly in from Cologne, assuming that the French wanted to question him about safety procedures before making up their minds whether to allow the overflight.

However, when the U.S. delegation arrived at a meeting Saturday, they were told the French authorities had already decided that the shuttle and its carrier plane would not be allowed to fly over Paris, according to U.S. officials present.

The French attitude contrasts with the welcoming approach of several other European governments. The Enterprise has made demonstration flights over Cologne and Bonn at the invitation of the West German government.

Belgium has requested a flight over Brussels and the Dutch government wants the Enterprise to cover the length of the Dutch coast, passing over several big cities including Amsterdam and The Hague.

Britain has requested a demonstration flight over London when the Enterprise is flown to Britain early next month.

Some Opposition Leaders To Meet With Mitterrand

(Continued from Page 1)

Mr. Barre continued, "One shouldn't be looking for alibis and pretexts. ... No one should be placing the responsibility of our failures with the United States."

Mr. Giscard d'Estaing acknowledged in his articles that he played a major role in setting up the present system of floating exchange rates. The current circumstances, involving the extreme fluctuations of some currencies and important international debt problems, he said, led him to recommend a final communiqué by the Williamsburg participants endorsing a return to a system of fixed parities.

The articles dealt with the dollar and the U.S. budget deficit in very much milder terms than Mr. Mitterrand has. But his interest in a return to fixed exchange rates seemed to reflect a concern among some French leaders that the dollar is returning to such pre-eminence that it is seriously diminishing France's ability to influence international events.

The poll by the IFOP canvassing organization, appearing in Le Journal du Dimanche, reported that 50 percent of the polling sample expressed dissatisfaction with Mr. Mitterrand as president, compared with 33 percent who said they were satisfied. The newspaper said the 17-point margin between approval

and disapproval was the greatest since the first poll of its kind was taken in 1958. The worst previous result, it said, was registered by Mr. Giscard d'Estaing in 1981, three months before the end of his seven-year term.

In Sunday's poll, Mr. Barre placed ahead of Mr. Giscard d'Estaing, who in turn led Jacques Chirac, the mayor of Paris, in approval ratings of opposition figures.

As leader of the Gaullist party, Mr. Chirac will be among the people Mr. Mitterrand will see this week. So far, he has not stated his position on Mr. Mitterrand's tactics at Williamsburg.

The others who have accepted invitations are Jean Lecanuet, the titular head of the centrist French Democratic Union, to which Mr. Giscard d'Estaing is allied; Georges Marchais of the Communist Party; and Lionel Jospin of the Socialist Party. They were asked to the presidential palace last year before the Versailles summit meeting, while Mr. Giscard d'Estaing was not.

Also absent from the consultations is Simone Veil, the former president of the European Parliament and cabinet minister under Mr. Giscard d'Estaing, who received the highest popularity rating in the current poll.

Raids Left Hundreds Dead In Afghanistan, U.S. Says

(Continued from Page 1)

bul, virtually the entire office force. In addition, the Afghans have refused to renew visas for Pakistani and Indian employees of the embassy, and earlier this month expelled the U.S. second secretary, Peter Graham.

Radio Kabul denied the reports of a Soviet bombing offensive around Herat, United Press International reported from Islamabad, Pakistan.

"Bombardments have not taken place," the radio said Saturday in a broadcast monitored in Islamabad. "In Herat city and around Herat everything is normal. People are doing everyday things normally." Guerrillas said recently that as many as 3,000 people had been killed around Herat.

Reports attributed to Western diplomatic sources in New Delhi said that guerrilla activity had also been increasing in the past month in southern Afghanistan, including the city of Kandahar, Afghanistan's second largest.

Earlier this month, the State Department reported that Afghan police had arrested 18 Afghan employees of the U.S. Embassy in Kabul.

South Africa Warns Its Neighbors

Reuters

PRETORIA — South Africa has again publicly warned neighboring governments against giving refuge to members of the banned African National Congress.

Police Minister Louis Le Grange, speaking Saturday night on South African radio, said: "Acts of terror will not be tolerated, and South Africa will plan her reaction at her own discretion and in her own interests."

His warning was made after the car-bomb explosion that killed 15 people and injured 185 in Pretoria Friday afternoon.

Shortly after the explosion, South African Air Force headquarters, Defense Minister Magnus

Malan warned that South Africa would not hesitate to launch more pre-emptive raids on nearby ANC bases.

In December, South Africa invaded Maseru, Lesotho. The South African government said 30 members of the African National Congress were killed in the raid.

"If we don't start taking that kind of action, we're sitting around waiting for [an atrocity] to happen," General Malan said.

In Nairobi, Oliver Tambo, the leader of the ANC, declined to say whether his organization was responsible for the attack, which he described as an escalation of black resistance to apartheid.

The government has not categorically blamed the ANC for the bomb, but Mr. Le Grange said Friday that it appeared to be the work of the banned organization.

"I have every reason to believe that the South African police will eventually succeed to identify those responsible, track them down and bring them to justice," Mr. Le Grange said Saturday.

Although a police spokesman Saturday reaffirmed the number of dead at 17, the Afrikaans-language newspaper Beeld, quoting informed sources, put the figure at 28. A spokesman at Pretoria's main hospital Saturday said 26 persons were still being treated for injuries, nine of whom were in very serious condition.

WORLD BRIEFS

Catholics, Police Clash in Ulster

BELFAST (UPI) — Two police officers and an undetermined number of Roman Catholic protesters were injured early Sunday in the most serious rioting in Londonderry in two years, authorities said.

The police said more than 200 persons gathered around police patrols and British troops when they answered a false bomb alert at a pub in the Catholic section of Bogside. Some of the rioters hurled gasoline bombs, and snipers fired at least two shots from nearby buildings, the police said.

Authorities said the disturbances may have been related to campaigning for the June 9 general elections, in which Sinn Féin, the political wing of the outlawed Irish Republican Army, is contesting 14 of Northern Ireland's 17 seats in the British Parliament. The authorities said the disturbances were the worst since 1981, when a series of riots broke out in support of hunger strikes by inmates seeking political prisoner status in Belfast's Maze Prison.

Iran Says Exocets Hit Oil Wells

TEHRAN (Reuters) — A senior Iranian official said Sunday that Iraqi forces had used French-built Exocet missiles to attack Iranian oil wells, which have been pouring oil into the Gulf since early March causing a vast slick.

The head of Iran's Environment Department, Mirza Taheri, said that none of the three wells hit had been damaged by accident. "All our wells have been deliberately attacked by the Iraqi regime, in particular with Exocet missiles purchased from France," Mr. Taheri said. The Exocets, which can be launched from ships or from planes, approaches its target at close to the speed of sound and at just above surface level.

Mr. Taheri said that Iraqi forces had attacked Iranian oil installations in the Gulf 20 times and that the strikes were continuing. He said that two wells were pouring out oil at about 8,000 barrels per day but that much of it might be burning away. The third well is losing 2,000 barrels per day, he said.

New Charge on Vietnam Troops

BANGKOK (UPI) — Vietnam sent 1,000 fresh soldiers into Cambodia Friday despite its well-publicized limited withdrawal of troops earlier this month, Thailand's national security chief said Sunday.

In an interview with the Bangkok Post, an English-language newspaper, Prasong Soonsiri, secretary-general of the National Security Council, said the newly arrived troops had been stationed opposite Thailand's southern provinces of Trat and Chanthaburi.

Mr. Prasong repeated charges made earlier that Vietnam's movement of troops on May 2 was a routine troop rotation and that 1,000 additional soldiers were sent to eastern Cambodia one day after 1,500 Vietnamese troops returned home. The military activity along the border included replacement of outdated or damaged weapons, he said.

Polish Paper Rules Out Amnesty

WARSAW (Combined Dispatches) — Poland's Communist Party newspaper has ruled out the possibility of granting the Roman Catholic Church's request for amnesty for political prisoners before Pope John Paul II's June visit, but it insisted that church-state relations were good.

Trybuna Ludu, echoing recent statements by the government, said Saturday that "the possibility of amnesty" required "the assurance of an indispensable state of internal stabilization."

The newspaper added that "the announcement of amnesty too soon could be used for an operation that would result in the imprisonment of a bigger number of people than are currently in jail." The pope and Poland's Catholic episcopate have asked Warsaw's military leaders to release all political prisoners before the visit.

U.S., Philippines Sign Defense Pact

MANILA (AP) — U.S. and Philippine military officials have signed a plan providing for a coordinated U.S.-Philippine defense of the country in the event of an attack, the government has announced.

The announcement Saturday said the agreement was signed in the presence of President Ferdinand E. Marcos by the Philippine armed forces chief, General Fabian C. Ver, and the commander in chief of U.S. forces in the Pacific, Admiral Robert Long.

The announcement gave no details of the plan, which it said still has to be approved by the U.S. and Philippine governments. In brief remarks following the signing, Admiral Long said that it was his " fervent hope that it will never be necessary to implement this plan," which he said was aimed at contributing to peace, stability and security in the region.

Pope Urges Fight on Joblessness

MILAN (Reuters) — Pope John Paul II told Italy's leading industrialists Sunday that inflation and recession must not obstruct the fight against unemployment and he called for greater worker participation in the management of companies. Inflation is running at about 16 percent, and unemployment is nearly 10 percent of the work force.

In a speech at the Milan Industrial Fair, a center of international trade, he also declared that trade unions were an indispensable force in society. "I extend to you a heartfelt appeal to multiply and unify your efforts in the search to create new jobs," he said.

On the third and final day in Milan, the pontiff said inflation and recession "should never prevent a tenacious search for means to overcome both the causes of unemployment and the painful human situation that derives from it."

For the Record

BAHRAIN (Reuters) — President Ali Abdullah Saleh of North Yemen was re-elected unopposed Sunday for a second five-year term by the People's Constituent Assembly in Sana'a, the official Saudi press agency reported.

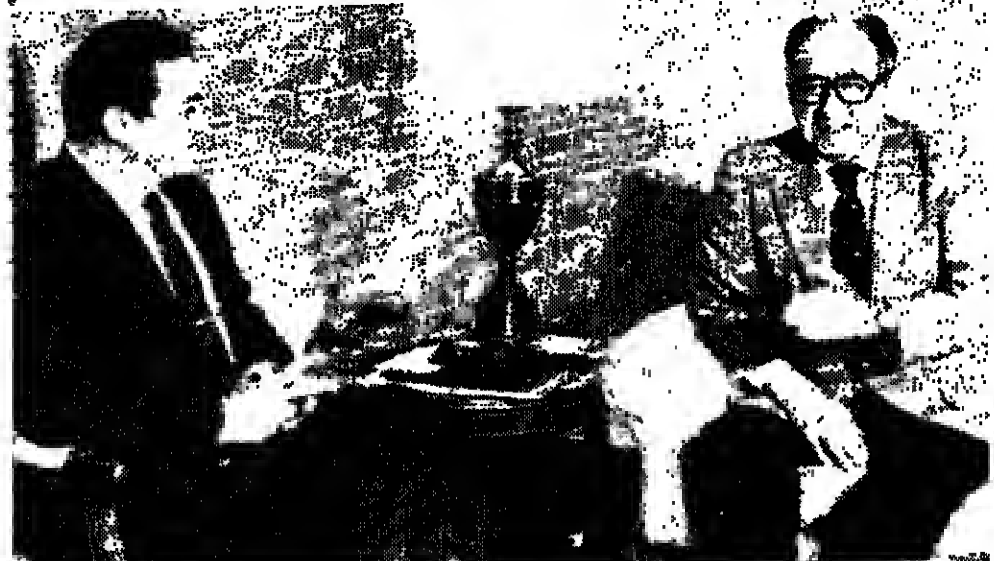
PARIS (AP) — Three Irish nationalists arrested last summer in suburban Vincennes and charged with the possession of arms and explosives were freed from prison under judicial control Friday. All are members of the Irish Republican Socialist Party. Two of them are wanted for jumping bail in Ireland.

TEL AVIV (Reuters) — About 7,000 government-employed doctors went on strike Sunday over a salary dispute. The Israeli cabinet said back-to-work orders would be issued Monday if necessary.

NAIROBI (Reuters) — President Daniel Arap Moi of Kenya said Sunday that the Organization of African Unity would hold its summit meeting in Addis Ababa on June 6 as planned, despite the attempts of some African states to obstruct it.



PEACE PROTEST — Chicago police removed one of about 40 persons who tried to block an armed forces parade to protest U.S. military policies. No injuries or arrests were reported in the Friday rally.



Philip C. Habib, right, President Ronald Reagan's envoy in the Middle East, joked with President Hosni Mubarak of Egypt before their meeting Saturday in suburban Heliopolis.

Lebanon Says Israeli Pact Will Die If Not Applied in the Near Future

Compiled by Our Staff From Dispatches

PARIS — Foreign Minister Elie Salameh of Lebanon said Sunday that the troop withdrawal agreement between his country and Israel would die if it was not applied in the near future.

Mr. Salameh, who arrived in Paris on Saturday from West Germany for talks with France's minister of external relations, Claude Cheysson, said that if the Lebanese-Israeli accord was not applied in a "reasonable time," it would meet a "natural death."

"If Syria does not withdraw its troops, there will simply be no agreement," he said.

Before Mr. Salameh left for Beirut, ending his brief tour of Italy, West Germany and France, he said Lebanon was ready to work out arrangements with Syria's president, Hafez al-Assad, to guarantee Syria's security and long-term interests in the region.

He said he believed that Syria would soon start negotiating on withdrawing its troops from Lebanon despite its initial rejection of the accord, which was signed by Israel and Lebanon last Tuesday.

"I cannot conceive that Syria will remain adamant in its present position and expose Lebanon to the infinite dangers that we face," he said. "The choice is between withdrawal with this agreement or the extinction of Lebanon."

But the Syrian attitude on withdrawal appeared to remain firm Sunday. The Syrian government

newspaper Tishrin said anyone expecting a turnaround by Damascus was "plunging into illusion."

Mr. Salameh said there were some aspects of his country's agreement with Israel that he did not like, but he emphasized that it was the best possible accord under the circumstances.

The Lebanese foreign minister also intimated that Europe, and France in particular, might have an important mediating role to play in the Middle East in the coming days.

"If the confrontation between the United States and the U.S.S.R. becomes very sharp in the Lebanese crisis, it will perhaps be possible for the European countries — particularly France, which maintains good relations with Syria and Lebanon — to play the role of a mediator," Mr. Salameh said.

In Beirut on Sunday, Prime Minister Shafiq al-Wazir called on Syria to withdraw its estimated 40,000 troops from the country in order to test Israel's pledge to pull out.

Speaking to the Lebanese magazine Monday Morning, he underlined the importance of Syrian cooperation in implementing the troop-withdrawal agreement of foreign forces from Lebanon.

Also Sunday, Philip C. Habib, President Ronald Reagan's special Middle East envoy, arrived in Beirut to brief Lebanese officials on the results of his visits to Saudi Arabia, Egypt and Israel. He has been seeking a way around the deadlock over Syria's refusal to accept the Israeli-Lebanese agreement.

Mr. Habib met with King Fahd of Saudi Arabia and President Hosni Mubarak of Egypt in Jerusalem on Sunday, he met the Israeli foreign minister, Yitzhak Shamir, and told him he remained optimistic that Syria would eventually agree to a withdrawal, Israel Radio reported.

The Israeli government formally ratified the troop withdrawal agreement with Lebanon on Sunday. The ratification was a procedural step spelled out in the agreement itself.

■ 100 Reported Kidnapped Lebanese police reported that more than 100 people had been kidnapped by either the rightist Christian or leftist Druze militias in the Israeli-occupied mountains overlooking Beirut. The Associated Press reported from Beirut.

Lebanon's state television reported that at least four kidnapped Christians had been killed. The report was not confirmed by police. The rightist Voice of Lebanon radio station said at least 23 of those kidnapped had been killed.

One of the Palestinian dissidents said Sunday that the officers' rebellion would continue. A spokesman for Abu Saleh, a leading leftist in Fatah, said the dissidents could not accept new leadership moves.

Arafat aides in Damascus said that no more than eight officers were involved in the dissident movement. The Central Committee statement named five officers, not including Abu Saleh, who it said were being placed directly under Mr. Arafat's command.

Several senior Fatah officers in the Bekaa Valley in Lebanon dissented openly two weeks ago when Mr. Arafat appointed other officers to key positions. They charged that Mr. Arafat was not adamant enough in his opposition to the Middle East peace plan advanced last September by President Ronald Reagan, and they said Mr. Arafat was preparing to withdraw PLO forces from Lebanon.

The severity of the officers' challenge to Mr. Arafat's leadership of the PLO and to Fatah, its largest faction, is unclear. But observers noted that he has visited PLO positions in eastern Lebanon seven times in the past 13 days.

He visited northern Lebanon on Sunday for talks with regional commanders, the state-run Beirut Radio said. Mr. Arafat's stop in the coastal city of Tripoli was his first visit to that region since Palestinian guerrillas were forced to evacuate Beirut last summer.

At a rally in a Palestinian refugee camp outside Tripoli, Mr.

Centrist Coalition Emerges In U.S. Senate Budget Vote

By Steven V. Roberts

WASHINGTON — The Senate vote for a spending plan that President Ronald Reagan has repeatedly denounced marked the emergence of a centrist, bipartisan coalition that is no longer willing to follow his lead on fiscal matters.

Mr. Reagan probably commands enough support in both houses to sustain the vetoes he is likely to invoke on spending and tax bills later this year, but now he apparently lacks the backing to push through his own economic program.

His current legislative approach is described as "damage control" by Representative Phil Gramm, the Texas Republican who switched from the Democratic Party.

Robert C. Byrd of West Virginia, the Senate Democratic leader, called the budget vote Thursday night "a victory for moderate Republicans and Democrats who believe the deficit ought to be lower."

Senator Lewin Chiles of Florida, the Budget Committee's ranking Democrat, added: "The president can't completely have his way in the U.S. Senate now; he does need to consult with both sides."

For the first two years of Mr. Reagan's term, the president did have his own way in the Senate, and most of the time in the entire Congress. Republicans were in control over their 1980 victory and backed Mr. Reagan's blueprint for economic revival with strict party discipline.

That control began to weaken last fall, when the lawmakers forced the administration to accept a tax increase of almost \$100 billion, in addition to a higher tax on gasoline. A further loss of Mr. Reagan's authority was apparent Thursday night when the Senate defeated his budget three times and then adopted a spending plan that Mr. Reagan has repeatedly denounced. Twenty-one Republicans

broke ranks and joined 29 Democrats to pass the measure.

The splits in Republican ranks are harder to heal these days because Mr. Reagan has lost some of his luster and lawmakers are no longer so politically afraid of him. Moreover, Howard H. Baker Jr., the Senate majority leader, has lost some of his influence by his retirement decision.

At the same time, both these Republican leaders have a tougher job to do, and one of their main problems is the divergent views within their party over the economy. Mr. Reagan and his conservative fol-

lowers have been hewing to a theory that assumes that by cutting taxes Congress can stimulate economic recovery and increase federal revenues enough to reduce the deficit. They also argue that reduced taxes provide an incentive to cut spending.

Party moderates argue that it is politically impossible to make further spending cuts and insist that unless taxes are raised to reduce the deficit, the government will borrow more money, drive interest rates up and choke off the recovery.

Accordingly, the Republican consensus of the last two years has been shattered.

There is also a geographical basis to the dispute. Many of the moderates who favor stronger government intervention in the economy come from Northern states that remain mired in recession. The staunchest of Mr. Reagan's supporters are from Sun Belt states where recovery seems promising.

Moreover, the current Republican split reflects a long-standing disagreement over the proper role of government. Mr. Reagan's supporters believe in smaller government and have advocated reduced taxes as a way of eliminating social welfare programs.

He said those executed so far, and those under sentence of death, had been accused of "Zionism, subversion to the interests of the imperialistic powers, corruption on earth, and warring against God."

Baha'i children have been barred from schools, Baha'is have lost their jobs, and an estimated 4,000 are believed to be in hiding, Mr. Kazemzadeh said. Baha'is officials have estimated that 15,000 to 20,000 have fled Iran in the past few years.

Mr. Kazemzadeh said the presidential statement was being made to coincide with the anniversary of the founding of the Baha'i faith on May 23, 1844. On that date a merchant in the Persian city of Shiraz, Ali Muhammad, told a Moslem clergyman that he was divinely inspired to create the new faith.

Mr. Kazemzadeh added: "In Islam there is a belief that Mohammed was the last of the prophets and God ceases with Mohammed. Whereas Christianity and Judaism are considered legitimate religions, the Baha'i faith, which originated after Islam, cannot be considered a legitimate religion in the view of the Shiite clergy."

Mr. Reagan, in his statement, said the Iranian government had sentenced 22 members of the Baha'i faith to death. Firuz Kazemzadeh, a Baha'i of Iranian descent who is chairman of the Committee on Middle Eastern Studies at Yale University, said in a telephone interview that two men and a woman had already been executed.

The Baha'is have been the scapegoats of Persian and Iranian society for generations; an estimated 20,000 Baha'is have been killed in Iran in the last 100 years, according to Baha'i officials.

The statement was prompted, according to administration officials, by several congressional resolutions about the Baha'is, growing State Department concern about the treatment of the minority, and the highly vocal and organized Baha'is in the United States, who number 100,000.

Mr. Reagan, in his statement, said the Iranian government had sentenced 22 members of the Baha'i faith to death. Firuz Kazemzadeh, a Baha'i of Iranian descent who is chairman of the Committee on Middle Eastern Studies at Yale University, said in a telephone interview that two men and a woman had already been executed.

His friends paint a portrait of an outgoing, intense young man whose sense of political commitment and dedication was forged in his parents' experiences as survivors of the Holocaust.

They speak of his energy and the ambition that seemed to survive despite the pain of a wrestling injury that failed to respond to medical treatment and was beginning to deprive him of the use of his right hand.

Barely out of law school, Mr. Breindel was a well-respected member of Washington's neo-conservative circles, and his articles on foreign affairs appeared in a wide spectrum of magazines and jour-

nals, ranging from The Wall Street Journal to Rolling Stone magazine. To Senator Moynihan, who hired Mr. Breindel for the intelligence committee, the arrest was a "personal tragedy."

"I have known Mr. Breindel since he was quite a young man," Mr. Moynihan said in a prepared statement. "He showed the greatest promise. I can scarcely express my own sorrow, but that can in no way affect my duties."

Mr. Moynihan asked for — and received — Mr. Breindel's resignation the day he was arrested. Mr. Breindel, on the advice of his attorney, declined to be interviewed.



COMMENCEMENT — President Ronald Reagan shakes hands with new graduates of Seton Hall University in South Orange, New Jersey. Mr. Reagan, in his commencement speech Saturday at Seton Hall, a private Catholic institution, criticized U.S. public schools for "not doing the job they should" and said one way to improve them would be to pay teachers according to merit rather than seniority.

Glenn Is Making Sizable Inroads In Mondale Support, Polls Show

By Martin Schram

WASHINGTON — Senator John Glenn, Democrat of Ohio, who first rose to public acclaim in a rocket, has now soared in the race for the Democratic presidential nomination.

Three nationwide public opinion surveys have recorded significant gains for Mr. Glenn in the past month, and for now, the Democratic presidential contest has become a two-man race: former Vice President Walter F. Mondale vs. Mr. Glenn.

A Gallup Poll released Sunday shows that Mr. Mondale, once far and away the front-runner, held a modest lead of 29 percent to 23 percent in a survey taken April 29 to May 2 of 695 registered Democrats. In mid-March, Mr. Mondale commanded a lead of 52 percent to 13 percent.

No other Democrat was even close to the front-runners: Senator Gary Hart of Colorado was a distant third with 4 percent; Senator Alan Cranston of California was named with 3 percent; 10 percent named other candidates; and 31 percent responded "none" or "don't know." The poll had a margin for error of 5 percentage points.

Perhaps the best news for Mr. Glenn was in trials against President Ronald Reagan, where Mr. Glenn scored strongly with independent voters. Mr. Mondale led Mr. Reagan by 6 points among all voters, 48 percent to 43 percent. But Mr. Glenn led the president by 17 points, 54 percent to 37 percent.

The difference was among independent voters. They preferred Mr. Reagan to Mr. Mondale, 52 percent to 38 percent, but they picked Mr. Glenn over Mr. Reagan, 49 percent to 42 percent.

The preferences shown in the latest Gallup Poll are reflected in other recent surveys. A poll taken in late April by Peabody Associates for David Garth, a political consultant, showed that Mr. Glenn was gaining on Mr. Mondale, trailing him by 36 percent to 24 percent. A Los Angeles Times poll last week showed Mr. Glenn ahead of Mr. Mondale, 28 percent to 26 percent. But advisers in all camps, and

other pollsters, tended to discount that result because a comparatively small sample of 442 Democrats was used.

(A Washington Post-ABC News Poll taken May 11-15 did not survey preferences for the Democratic nomination, but it did find that Mr. Glenn and Mr. Reagan were tied at 44 percent, while Mr. Reagan beat Mr. Mondale by 47 percent to 42 percent. There was little change from the previous month's survey.)

Strategists for Mr. Glenn expect to make use of the polls at campaign fund-raising to bolster Mr. Glenn's claim that he has the best chance of taking back the White House for the Democrats.

Mr. Glenn's advisers have no quick answers to explain their candidate's sudden rise. They point out that it began after the senator formally announced his candidacy on April 21. Mr. Glenn's announcement received the same amount of television coverage as other candidates' announcements, they said, but it may have made more of an impression because of Mr. Glenn's fame as an astronaut.

"Our gains come from people who were previously not willing to declare for Mr. Mondale but hadn't really thought of Mr.

Glenn," said Harrison Hickman, a member of the William R. Hamilton firm, which has been hired to do Mr. Glenn's private polling. "They knew him as an astronaut, and now they're beginning to consider him as a potential president."

Mr. Mondale's advisers, who last week discounted the Los Angeles Times poll as being at odds with other surveys, concede that Mr. Glenn has gained in recent polls. But, Mr. Mondale's acting campaign chairman, James Johnson, said: "Our campaign is on track. At this stage, the basic question is whether a campaign is on track in positioning itself well against Ronald Reagan, in formulating its policy statements, in its political organizing, and in fund raising."

Although Mr. Glenn has scored well with independents in tests against Mr. Reagan, Mr. Johnson expressed confidence that Mr. Mondale was doing well with independents who would vote in Democratic Party primary elections.

"The independents who vote in Democratic primaries are concerned about three issues: the nuclear weapons, women's issues, and the environment," Mr. Johnson said. "And those issues are pluses for Mondale more than they are for Glenn."

Board Chief Suspends Director of NAACP

By Milton Coleman

WASHINGTON — The chairman of the board of the National Association for the Advancement of Colored People, Margaret Bush Wilson, has suspended Executive Director Benjamin L. Hooks following a bitter showdown that climaxed a simmering feud over administration, credibility, direction and control of the oldest U.S. civil rights organization.

The abrupt and unilateral suspension with pay of Mr. Hooks, 58, a Baptist minister from Memphis who has held the \$75,000-a-year position since 1976, was announced Friday by the organization's national headquarters.

Thomas L. Atkins, the NAACP general counsel, was named acting executive director. In a memorandum, Mr. Atkins said that employees should follow the directives of the board and its chairman.

According to one source, the seeds of the suspension were sown last month in Jackson, Mississippi. Mrs. Wilson presented the board with a statement contending that the organization was poorly run, not serving the needs of its 125,000 members and in bad repute among philanthropic groups for inefficient management.

She proposed a wide-ranging crash program to "get a handle on the administrative and operational issues of the association" with a view to hiring an administrator to be "responsible for the day-to-day operations of the association" — apparently a deputy executive director.

A committee was established to follow up on her assertions. When discussion on the issue began at the end of the May 14 Chicago meeting, sources said, Mr. Hooks began shouting at Mrs. Wilson.

"He blew up," one source said. Mr. Hooks was being suspended, the source said, because "it is felt that he challenged the authority of the chairman of the board and the executive committee... publicly in a formal meeting in front of the board members and the staff."

Several board members, surprised by the suspension, were trying over the weekend to call a May 28 special meeting, probably in New York.

Kelly M. Alexander Sr., national vice chairman and head of the

North Carolina NAACP, said he had heard about the suspension, adding: "But the national board of directors of the NAACP has not met yet and the board of directors are the ones who have the authority to do that. When the board meets, it's going to deal with whatever's going around."

Edward A. Haines, president of the District of Columbia NAACP and one of six national vice presidents, said: "I can't understand this drastic action. I'm a vice president of this organization and I want to know what's going on. It's poor judgment to take that kind of action."

Mrs. Wilson, a St. Louis lawyer, was reported out of town. Mr. Atkins did not return several telephone calls. Mr. Hooks told The Associated Press by telephone from his office, "I can say this — I'm functioning."

Mr. Hooks, who served on the Federal Communications Commission before replacing Roy Wilkins as NAACP executive director, has had strained relations with Mrs. Wilson, several sources said, because she believes that the staff should carry out directives of the 64-member board — something that was not always the case under Mr. Wilkins.

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Reagan Statement Denounces Iran For Planned Executions of Baha'is

By Bernard Weinraub

WASHINGTON — President Ronald Reagan issued a statement Sunday night saying the United States is "alarmed and dismayed" at the persecution of the Baha'is in Iran and urging the government there to halt the planned execution of a group of Baha'i leaders.

"I strongly urge other world leaders to join me in an appeal to the Ayatollah Khomeini and the rest of Iran's leadership not to implement the sentences that have been pronounced on these innocent people," said the presidential statement, which was made available on Saturday.

White House officials said the apparent increase in persecution of the Baha'i minority in Iran was "a serious issue with us, an important issue now." At least 150 Baha'is men and women have reportedly been hanged or shot by Ayatollah Ruhollah Khomeini's government since it came to power in 1979.

Although the Baha'i population in Iran is relatively small — between 300,000 and 400,000 — the Khomeini government has singled them out as adherents of a heretic Islamic sect.

The Baha'is have no clergy and

uphold the divine origin of all major religions, including Islam. The religion shuns violence, abstains from partisan politics, and espouses the "eradication of prejudices of race, creed, class, nationality, and sex."

The faith claims adherents in 173 countries.

The Baha'is have been the scapegoats of Persian and Iranian society for generations; an estimated 20,000 Baha'is have been killed in Iran in the last 100 years, according to Baha'i officials.

The statement was prompted, according to administration officials, by several congressional resolutions about the Baha'is, growing State Department concern about the treatment of the minority, and the highly vocal and organized Baha'is in the United States, who number 100,000.

Mr. Reagan, in his statement, said the Iranian government had sentenced 22 members of the Baha'i faith to death. Firuz Kazemzadeh, a Baha'i of Iranian descent who is chairman of the Committee on Middle Eastern Studies at Yale University, said in a telephone interview that two men and a woman had already been executed.

He said those executed so far, and those under sentence of death, had been accused of "Zionism, subversion to the interests of the imperialistic powers, corruption on earth, and warring against God."

Baha'i children have been barred from schools, Baha'is have lost their jobs, and an estimated 4,000 are believed to be in hiding, Mr. Kazemzadeh said. Baha'is officials have estimated that 15,000 to 20,000 have fled Iran in the past few years.

Mr. Kazemzadeh said the presidential statement was being made to coincide with the anniversary of the founding of the Baha'i faith on May 23, 1844. On that date a merchant in the Persian city of Shiraz, Ali Muhammad, told a Moslem clergyman that he was divinely inspired to create the new faith.

Mr. Kazemzadeh added: "In Islam there is a belief that Mohammed was the last of the prophets and God ceases with Mohammed. Whereas Christianity and Judaism are considered legitimate religions, the Baha'i faith, which originated after Islam, cannot be considered a legitimate religion in the view of the Shiite clergy."

'Golden Youth' Is Arrested on Heroin Charges Friends Are Disbelieving of Moynihan Aide's Fall From Brilliant Career

By Ronald Kessler

WASHINGTON — On paper, Eric M. Breindel's life looked perfect. At 27, his resume included a magna cum laude degree from Harvard and a degree from Harvard Law School, a nearly completed doctorate from the London School of Economics, a glittering list of honors, fellowships and scholarships and a place on the Council of Foreign Relations.

A protégé of Senator Daniel Patrick Moynihan, Democrat of New York, he had recently joined the staff of the Senate Select Committee on Intelligence, where he was trusted with information classified as top secret.

Last week, Mr. Breindel stared blankly ahead as he waited to be arraigned in U.S. District Court on a misdemeanor charge that he bought heroin from an undercover police officer. His face was pallid and perspiring, and his walk was shaky.

To Mr. Breindel's friends, the

news that he had been arrested along with another lawyer for allegedly buying five packets of heroin for \$150 in a hotel in northern Washington came as a profound shock.

"He's a golden youth. He's very brilliant. He's full of charm," said Norman Podhoretz, editor in chief of Commentary. "It seems so outlandish."

His friends paint a portrait of an outgoing, intense young man whose sense of political commitment and dedication was forged in his parents' experiences as survivors of the Holocaust.

They speak of his energy and the ambition that seemed to survive despite the pain of a wrestling injury that failed to respond to medical treatment and was beginning to deprive him of the use of his right hand.

Barely out of law school, Mr. Breindel was a well-respected member of Washington's neo-conservative circles, and his articles on foreign affairs appeared in a wide spectrum of magazines and jour-

nals, ranging from The Wall Street Journal to Rolling Stone magazine. To Senator Moynihan, who hired Mr. Breindel for the intelligence committee, the arrest was a "personal tragedy."

"I have known Mr. Breindel since he was quite a young man," Mr. Moynihan said in a prepared statement. "He showed the greatest promise. I can scarcely express my own sorrow, but that can in no way affect my duties."

Mr. Moynihan asked for — and received — Mr. Breindel's resignation the day he was arrested. Mr. Breindel, on the advice of his attorney, declined to be interviewed.

The promise that was so disastrously derailed in a Washington hotel room began in New York's Gramercy Park, where Mr. Breindel grew up in an atmosphere of prosperity and intellectual vitality. His mother, Sonya, was a victim of Nazi persecution and went into hiding in France during World War II. His father, Joseph, an obstetrician, came to the United States before the war.

"He was extremely conscious of his background," said Leon Wieseltier, a contributing editor to The New Republic. "He's profoundly devoted to this country because of what it did for his parents."

Mr. Breindel last month participated in a panel discussion in Washington on the pressures felt by children of survivors of the Holocaust. They respond to their parents' plight in "diverse and often unpredictable ways," Mr. Breindel's fellow panelist, Dr. Mark Tykocinski, a fellow of the National Institutes of Health, said at the gathering.

Mr. Breindel attended Phillips Exeter Academy, where he was head of the school paper, secretary of his graduating class and a wrestling champion. At Harvard, he was in the Phi Beta Kappa honor society and served as editorial chairman of the Harvard Crimson. He graduated from Harvard in 1977 with numerous scholarships.

Mr. Breindel left Harvard Law School to attend the London School of Economics.

Last November, Senator Moynihan put him on his personal staff at about \$40,000 a year while awaiting security clearance for Mr. Breindel from the Senate Intelligence Committee. For the most part, he wrote speeches and formulated foreign policy positions for Mr. Moynihan.

Mr. Breindel's medical problems began in college, when he underwent an operation on his kidney. After college, a wrestling injury to his right wrist forced him to take prescription painkillers on a regular basis, his friends say. As successive operations proved unsuccessful, friends noticed, Mr. Breindel was losing the use of his right hand.

After the arrest, Neal Koszody, executive editor of Commentary, came from New York to be with Mr. Breindel. Mr. Koszody said Mr. Breindel told him that he had developed a dependence on prescription painkillers and had tried without success to break the dependence.

Mr. Koszody said Mr. Breindel did not explain how he had met Winston B. Prude, a former Justice Department lawyer with whom he was arrested. Police arranged the alleged drug purchase after a tip from an informant. Both Mr. Prude and Mr. Breindel were released on \$5,000 bond.

In their long talks last week, Mr. Koszody said Mr. Breindel refused to blame his drug dependence on his medical condition. "He's not anxious to excuse it," he said. "He wants to confront it."

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Herald Tribune

Published With The New York Times and The Washington Post

A Year in Lebanon

It has been a year since the Israelis invaded Lebanon, and there they sit, just south of the U.S. Marines. Having humiliated Syria and the Soviets on the way in, they now depend on Syria and the Soviets to let them out.

Prime Minister Begin's avowed purpose — "peace for Galilee" from PLO rockets — has been achieved. That peace was not seriously threatened before last June's attack. It was, in any case, militarily guaranteed after the first five days of battle, in which Israel seized its buffer zone with a loss of only 60 men. Mr. Begin's rewards for pushing on to Beirut, at a cost of 425 more Israeli dead and thousands of PLO and civilian casualties, are less obvious.

The Israelis first strained and have now partly repaired relations with the United States. They staked but partly redeemed their reputation for honor and humanity. And they implanted in Beirut a Lebanese government that favors but cannot execute a fair peace. Although they have violently shaken the Lebanon board and scattered some PLO pawns, they have not dislodged the major pieces.

Perhaps American diplomacy can still gain a Syrian-Soviet retreat so that the Lebanese can rebuild their society behind a shield of American and other troops. But that turns out to be a project beyond Israel's capacity.

The papers signed with Lebanon last week merely raised ambiguity. They make it appear that a second Arab government has agreed to move toward peace with Israel without guaranteeing that government's survival against radical Arab and Soviet pressure. And if the Syrians refuse to withdraw, the agreements merely provide a cover for Israel's indefinite occupation of southern Lebanon.

The tentative nature of these results goes far to explain Mr. Begin's tenacity in negotiating them. This was Israel's first optional war. It

provoked unprecedented dissent in Israel, most ominously in its army. How its costs and gains are finally perceived will shape Israeli politics and policy for many years.

The war's most ambitious purpose, to destroy the PLO's influence in Middle East politics, has not been advanced. Jordan and Saudi Arabia have proved that they will not negotiate with Israel without the PLO's consent. They thus pay their dues to pan-Arabism and protect their monarchies against radicalism.

The Syrians, too, are propelled by domestic instabilities to keep seeking dominion over Lebanon. They thus exploit the cause of the PLO and also the Soviet desire to prevent a Pax Americana in the region. Syria's forces in Lebanon are now shielded by Soviet-manufactured aircraft missiles. Its price for withdrawal is bound to be high, probably impossible high for either Israel or the United States.

Indeed, for the United States the Lebanon war has been mostly an arduous exercise in damage control. It was to overcome suspicions of collusion with Israel that President Reagan revived America's plan for a Palestinian entity in the West Bank. And to make that credible he pressed hard to get Mr. Begin to reduce his terms for a Lebanon withdrawal. But neither Israel nor America's diplomacy has improved the prospects for a West Bank deal.

The war has confirmed Israel's military supremacy but inflamed a new generation of Palestinians, more than a million of whom are now being absorbed into Israel. The PLO's leaders, who can claim even less than Mr. Begin for the blood recently spilled, should even louder than he against territorial compromise. Although the memory of a flaming Beirut burns bright, the specter of new clashes, in Bakaa or Bethlehem, already haunts the scene.

—THE NEW YORK TIMES

A Temptation in Chile

When Chile was booming, some thought it a good advertisement for authoritarianism-communism. The authoritarianism survives. Troops swarmed through a Santiago shanty town in typical fashion recently and seized 1,000 alleged troublemakers. But there is no more talk about economic miracles. The country is sinking, and a regime that took credit for a boom now tries to duck the blame for bust.

President Pinochet seems to be primarily the victim of excessive expectations. Buoyed from 1977 to 1981 by annual growth of 8 percent, Chile borrowed too much too soon. Now it is stuck with \$18 billion in foreign debts at high interest. With unemployment climbing past 20 percent, the regime is being challenged in the streets. Demonstrators shout, "Work, bread, justice and liberty!" The middle class, pushed by devaluation and a doubling of tariffs, have moved away from Gen. Pinochet and now denounce him as incompetent. Chileans can also see that hard times in Argentina, Uruguay and Brazil are not so far impeding a return to democracy, whereas Gen. Pino-

chet three years ago rammed through a constitution meant to keep him in office through the '80s. What was once the region's sturdiest democracy is now saddled with a true caudillo.

If the discontent deepens, Gen. Pinochet could play a last, desperate card: Blame the international banks and threaten them with a jingo strike of debtors. This is what has been called "the debt bomb." It could threaten the world's banking system and send waves of nationalism clapping up through Mexico.

Default is a fraudulent cure, as damaging to debtors as creditors. Without confidence that loans will be repaid, the fabric of finance unravels. It says something about Chile's desperation that there are nevertheless calls from the right and center for a "debtors' OPEC." Chile's people deserve help as they wrestle with their debts. What Gen. Pinochet can do to speed this effort is give the thwarted opposition more hope for democratic change, and assure the rest of the world that he is not toying with the quick populism of default.

—THE NEW YORK TIMES

Following the Guide

Millions of Americans who read "Fielding's Travel Guide to Europe" could easily have felt they knew Temple Fielding personally. The breezy, optimistic, quintessentially American extrovert, dead now at age 69, came through in his spirit, exclamation-dotted prose. His guide, first published in 1948, was not to everyone's taste. It skipped on cathedrals and monuments and dwelled on accommodations, telling you where you could find bacon and eggs as well as native cuisine. It told a generation of new, eager but uncertain American tourists exactly what they wanted to know.

Like many commercial successes, Mr. Fielding's product was based on a single brilliant insight: that millions of Americans would travel to Europe after World War II and would want many of the comforts of home. "Europe was a jungle" to "good-hearted, well-meaning people who didn't know where they were going or what they were going to do when they got there," Mr. Fielding said. "So

we tried to assuage the hardships, take away the strangeness, make them feel at home."

Before Mr. Fielding's guides, relatively few Americans had visited Europe except as soldiers. Today trips to Europe are taken for granted, not only in Manhattan but in Kansas City and Kankakee. American tourism, contributing to the vast postwar economic growth made possible by American aid, helped transform Western Europe. It is no longer the strange, impoverished and somewhat snobbish place it seemed to many of Mr. Fielding's first readers. Americans have changed as well. People who are used to eating quiche in Dallas and calamari in Detroit are not quite as dumbstruck by Europe's glories nor as daunted by its mysteries — or, sometimes, by its plumbing — as were the American tourists of 1948. In the postwar Americanization of Europe, and Europeanization of America, Temple Fielding played an exuberant part.

—THE WASHINGTON POST

Other Opinion

Why Sakharov Stays Put

In Moscow the authorities finally ended speculation that Dr. Sakharov, the scientist who has become the symbol of domestic defiance to the Soviet police state, might one day be allowed to emigrate.

He would never, a brief official announcement said, be permitted to leave the Soviet Union. The excuse given was that he had too

many secrets to impart about the making of Russia's nuclear bomb, despite the fact that it is many years since he was involved in any work of this nature.

The real reason, of course, is that Sakharov is a dissident of such stature that the Soviet regime regards him as a political bomb in himself, and one that can best be defused in his present internal exile in Gorki.

—The Sunday Telegraph (London).

FROM OUR MAY 23 PAGES, 75 AND 50 YEARS AGO

1908: Debts Worry Japanese

TOKIO — The "Asahi" quotes a high official of the Finance Department, whom it does not name, as stating that the Japanese national debt, including the bonds for the railways recently nationalized, is expected to attain a total within a few years of 2,700,000,000 yen. He said that the Japanese never before had to face so serious a problem. Baron Takahashi, the Vice-Governor of the Bank of Japan, places the responsibility of the failure to float the additional 40,000,000 yen loan for the South Manchurian railway at the door of British financiers interested in the projected line from Hsienmintun to Fakuken, which Japan forbade. It is claimed that the British government approves of Japan's attitude.

1933: America Backs Europe

GENEVA — Norman Davis today laid before the Disarmament Conference the provisions for security which Europe has demanded from the United States throughout the 13 years since the Senate ended hopes of American membership of the League of Nations. The American delegate made the following points: The United States would consult with other powers when war threatens; pronounced neutrality; proposed that aggression should eventually be the presence of armed forces on foreign soil; accepted "automatic, effective and continuous" supervision of armaments. After warning against rearmament, Davis added that, "In the long run security can best be achieved through controlled disarmament."

Seeing the Kremlin: Political Vision . . .

By Dominique Moïsi

PARIS — With the Williamsburg conference in May and the Atlantic alliance meeting in Paris in June, we are entering a new phase of economic and politico-military summitry. In both settings the West will appear divided over economic and military issues at a time when it should also all present a united political front and a common strategy vis-à-vis the Soviet Union.

Instead of engaging in futile and divisive controversies over the nature of Soviet power, statesmen on both sides of the Atlantic ought to read, or reread, an essay written in 1947 by George Kennan on the sources of Soviet conduct. It is precisely the mixture of ideology and traditional Russian sense of insecurity and expansionism that makes for the particular character of Soviet foreign policy. To emphasize one dimension over the other is to miss the essential factor: the interaction between the two.

The Reagan administration has chosen to interpret Soviet policy in the most ideological manner. But if you define the adversary as an absolute evil — whatever the elements of truth in that interpretation — then how do you justify dialogue with the Soviet Union? You do not compromise with evil.

On the other hand, Europeans, keen to defend the benefits of détente, have tended to minimize the ideological component. Former Chancellor Helmut Schmidt — expressing a basic tradition of European policy, despite Mrs. Thatcher's and President Mitterand's speeches — recently described Soviet policy as 75-percent Russian and 25-percent communist, an interpretation Charles de Gaulle would probably have supported.

The danger in such an approach is that it puts the West in a structurally weak negotiating position.

The negotiating process, by its very nature, tends to create the illusion of a world ideologically and culturally homogeneous, when in fact it is divided. Henry Kissinger, in his search for the restoration of world order, dreamed of recreating the conditions of the 19th-century balance of power. He could only fail. The Soviet Union is not the Habsburg or Romanov empire.

The intentions of a totalitarian regime are by nature difficult to assess. Suffice it to say that capabilities create intentions, and a balance of power is therefore an absolute must. In an atomic age the Soviet Union does not and cannot want

war, but it cannot want stability, either, without losing its legitimacy.

If the formula "victory without war" best describes Soviet intentions, it has clear implications for the West. If the threat is of a political nature, the answer must also be political. The lessons of Clausewitz seem to have been forgotten by those who govern the West.

The Soviet Union's search for strategic superiority in Europe is more psycho-political than purely military. The Euro-missile quarrel is ultimately a test more of will than of strength. By emphasizing the military aspect of the NATO's 1979 missile deployment decision, Western governments — and the U.S. administration in particular — have weakened the domestic consensus on which their policy was based.

In the battle for the minds of the Europeans, Western governments should not get lost in a sea of technicalities over missiles. They should stress the values at stake and the reasons why deterrence and defense are needed in the first place: to protect a democratic system whose principles we deem superior. Our democracies should be able to resist the pressures of misguided "pacifist" minorities who refuse to distinguish between the superpowers.

Pessimism, self-flagellation and exchanges of recriminations are popular these days on both sides of the Atlantic. Since the West German elections, though, time may be again on the Western side.

The new Andropov proposals accentuate the pressures on France and Britain, whose national nuclear forces are once more singled out. They also show that the Soviet

Union feels the tide may be turning. Moscow has lost a major battle by engaging somewhat lightly in the West German elections. The West should consolidate its advantage by displaying clarity and firmness of purpose. This is no time to engage in old-fashioned disputes on East-West trade. These have proven to be more detrimental to the West than to the Soviet Union.

Summitry, although it is an essential and necessary element of diplomacy, is no panacea. In particular, it cannot replace the search for substantive agreement. The West needs dramatic, media-covered encounters less than carefully thought-out political vision.

The writer, associate director of the Institut Français des Relations Internationales and editor of *Politique Étrangère*, contributed this article to the *International Herald Tribune*.

. . . or Glimpses in a Nightmare?

By Stephen Rosenfeld

WASHINGTON — A haunting warning comes from George F. Kennan, 79 now — a driven, concentrated man of an increasing spectral appearance — whose contributions to diplomacy, history and the public dialogue entitle him to be heard out on the subject of relations with Russia.

He was careful last Tuesday not to say he expected the outbreak of war. But he did state that civility and reciprocity of communication between the two great powers had largely broken down, that their statements and actions were now "permeated with antagonism, suspicion and cynicism," that public discussion of their relationship had become almost "totally militarized," in this country at least. And he observed that these are "the familiar characteristics, the unflinching characteristics, of a march toward war — that and nothing else."

For all of its emotion and imbalance, it was a riveting statement, bound to echo around the world. Certainly it expressed the full measure of the darkest anxieties felt about Ronald Reagan personally by his audience, the American Committee on East-West Accord, and by many other people elsewhere.

In his sweep across the current bleakness, Mr. Kennan said little about the things blurring his picture: that the arms control talks are

stuck but continue, that new grain talks are opening, that Ronald Reagan is under strong international and domestic pressures — pressures received with some understanding by some of his leading aides — to moderate the whole range of his East-West policies.

The day Mr. Kennan spoke, for instance, Mr. Reagan patiently explained why one cannot charge the Kremlin with arms treaty violations without good evidence.

But Mr. Kennan did go to the intellectual source of some of Mr. Reagan's most extreme public statements: the view that Soviet-U.S. tensions flow "automatically from the nature of the Soviet regime" and are therefore unavoidable.

From "this allegedly unbending and unquenchable thirst for power" on the part of the Soviets, Mr. Kennan observed, comes the conclusion that there is "no language they could be expected to understand, other than that of intimidation by superior military force." He pronounced this image "grossly overdrawn" and "inexorably childish, unworthy of people charged with the responsibility for conducting the affairs of a great power in an endangered world."

Mr. Kennan addressed in passing

the particular Soviet policies which, as he put it, "grate severely on Western sensibilities." Characteristically, he attributed these policies not to political choice but to historical or cultural inheritance.

He listed "a high general sense of insecurity, a positively neurotic passion for secrecy, a marked sensitivity to conditions in border regions and a tendency to overdo in the cultivation of armed force."

But, he said, these features are familiar, less acute than they used to be, and finally counterbalanced by the Kremlin's "serious and primary interest" in avoiding a major war.

As for what he called the question of "human rights," he presented a choice between "suddenly grafting democracy onto an unprepared people from outside," and pursuing world peace. At this point alone did his audience interrupt him with applause.

Mr. Kennan's views, ever elegantly articulated, have long been stirring his listeners and readers to various blends of apoplexy and delight. No matter: he has the enviable quality of focusing always on things that matter deeply to other people. Never scholastic, he goes unerringly to the place where political ideas and people's feelings, not less his own, intersect.

In the current circumstances he speaks with the authority of someone who has not only seen and studied much but has made and confirmed his final choices. There is an old man's economy of truth in his emphasis on the danger of nuclear war and on the requirement to restore to Soviet-American relations "a chance to breathe."

But it is not so much for policy analysis, always arguable, that we turn now to George Kennan. It is for an uncommon closeness. "At the end of our present path of unlimited military confrontation lies no visible destination but failure and horror. There are no alternatives to this path that would not be preferable to it. What is needed here is only the will — the courage, the boldness, the affirmation of life — to break out of the evil spell that has been cast upon us, to declare our independence of the nightmares of nuclear danger, and to turn our minds and hearts to better things."

The Washington Post.



When Even the President Takes the Easy Way

By Flora Lewis

LOS ANGELES — At his press conference last week President Reagan praised the report of the National Commission on Excellence in Education as "masterful." But he seemed to have read it selectively.

It does, as he noted approvingly, urge more hours of schooling a year, more homework, and renewed emphasis on basic subjects. However, it also deplores the low pay and low status given the teaching profession, no longer able to compete with the private market for the most qualified graduates. The standards of teacher training have declined accordingly, to the point where the commission said they put America "at risk."

This grave deterioration, Mr. Reagan said, has developed in a decade when federal spending on education grew 20-fold. He suggested that "federal intervention" was the cause of decay. He wants to cut spending more because "you can't solve the problem by throwing money at it."

That is not the commission's point. It called on "citizens to provide the financial support necessary to accomplish" recommended reforms. It said, "Excellence costs. But in the long run mediocrity costs far more."

It said, "The federal government has the primary responsibility to identify the national interest in education," although state and local officials have primary responsibility for financing and running schools.

Some things the commission hinted at but did not say directly were even more important. One of these was implied in its plea for leadership in restoring a dedication to quality in schools. Put bluntly, there has been a loss of respect for intellect, for learning as an enrichment in itself without regard for market value.

This is the season of commencement around America. It is not surprising that graduates worry mostly about finding jobs. President Reagan's insistence on the free-market measure reinforces the idea that the purpose of education is how much you can make as a result.

He spoke at some length about the insanity of courses in "cheerleading" and "bachelor living," but not at all about the pursuit of knowledge for the joy of it. When a money test is made so paramount, the sense of service is inevitably degraded.

There has always been a strain of reaction against what George Wal-

lace called "eggheads" in American life. The "Know Nothing" party of the republic's early days never lacked for heirs. But teachers had a special standing because of their civilizing role and their service to something beyond the economic function.

It is sad to hear valedictorians these days talk of their school years as a time of acquiring credentials for jobs, and making friends, but leaving out the importance of learning how to go on learning for the rest of their lives. That is the missing element, the essential difference between excellence and mediocrity. It still exists, of course, in many places in America. But it isn't extolled from the bully pulpit of the nation.

The function of government is not only to keep order and provide security, but also to inspire the nation and give youth a sense of inheriting goals and something to cherish. A conservatism that talks of restoring fundamental values but fails to appreciate the value of education for its own sake is paradoxical.

The federal government must play a part both in financing aspects of education beyond the capacity of local authorities, as the commission states, and in setting standards.

In a way, the issue is now before the courts in the Florida diploma case, in which 1,300 seniors who failed a state exam on functional literacy were denied high school diplomas.

A federal appeals court upheld the state decision, and the case may go all the way to the Supreme Court.

A diploma is a certificate of achievement, not a birthright. It is meaningless if it testifies to nothing more than school attendance. However, if government is going to refuse such a vital passport to a youth's future, it must meet the obligations to make every effort at helping students reach the standard set.

Mr. Reagan could do more for the vigor of America by stressing the themes of education for quality, skill and ideals of service than by rejecting responsibility. It is easy to ridicule the substitution of fills for the challenge of learning. But taking the easy way is exactly what has gone wrong.

The New York Times.

Letter: A Product of Lithuanian History

From Suzanne Thom and Vendla Meyer in Paris

FEW people have heard of Belys Gajauskas. He is not a famous scientist or man of letters. Just a 57-year-old Lithuanian of peasant stock who was condemned by a Soviet tribunal as a young man of 22 and has been in a prison labor camp ever since, except for four brief years of relative freedom from 1973 to 1977. Gajauskas is a product of his country's history.

A pact was signed on Aug. 23, 1939, between Nazi Germany and Stalin's U.S.S.R. A further clause was added to modify the content on Sept. 28 stipulating that the Soviet Union was free to "take special measures in Lithuania to protect her interests." The Lithuanian government was aware of this agreement when, in October 1939, it signed a treaty of mutual assistance with the Soviet Union, including Kremlin assurances that Lithuania would remain independent.

Soviet troops moved into Lithuania in June 1940. Elections were organized a month later and the elected Diet immediately asked to become part of the U.S.S.R.

It was a shotgun wedding; some 2,000 political figures were arrested the week before and the tumult

was very poor. During the following year thousands of Lithuanians were deported, mainly to Siberia, including a record 45,000 between June 14 and 18. One in 10 of the population were deported that month.

Nor did the German-Soviet pact stop Hitler's forces from invading Lithuania on June 22, 1941. The deportation of 190,000 Jews followed. When the Soviets returned in 1944, they came to stay.

The Soviet annexation of Lithuania was never formally recognized by any of the Western countries. Yet its reality changed the lives of 3½ million people.

Belys Gajauskas left school in 1940 at the age of 14 and worked as an apprentice electrician while attending night school. Taken prisoner by the German military authorities after he refused to work for them, he escaped and went underground. Resistance to the German invader later became resistance to the Soviet occupation. He was arrested in 1948 and sentenced, at 22, to 25 years' labor camp.

Gajauskas served every minute of those 25 years but found, when he was released in 1973, that the debt was by no means written off. He

was not allowed to live in his own country and care for his sick mother. When he tried to do so without the necessary papers, he and his mother were subjected to constant harassment — house searches, fines, interrogations.

In 1974 he made an appeal to the Supreme Soviet concerning the difficulties met with by ex-prisoners. He signed petitions in favor of persecuted dissidents. He did his best to help prisoners' families, at considerable risk to himself.

In 1977 he was re-arrested and accused of "anti-Soviet propaganda and agitation," and of possessing documents concerning the movements of Lithuanian partisans just after the war, a list of political prisoners, a book called "Bolshevism" and 50 pages of Solzhenitsyn's "Gulag Archipelago." At this stage Gajauskas was adopted by Amnesty International, his case being entrusted to groups in France, West Germany and Holland. The sentence was tougher than that called for by the prosecution — 10 years' labor camp to be followed by 5 years of internal exile.

During his long prison years, Gajauskas taught himself a great deal,

taking a particular interest in history and languages. He was a member of the Lithuanian group of Helsinki monitors. By special authorization he was married in prison in 1978. His wife Irene, who is allowed to see him twice a year, gave birth to their daughter Grajuna in 1980.

Since 1980 Gajauskas has been in the particularly severe "special regime" camp in the swamps of Perm district. To visit him his wife must travel two days each way in difficult conditions. His world is tiny: a cell shared with three others, another cell for work (metal casting) and an "exercise" pen — 18 feet by 12 and 9 feet high — where for an hour a day he can see the sky through the barred wire overhead.

He gets a meager supply of bad water. Precious little mail is allowed to filter through; there is a policy of isolation, not only from the world outside but even between cells. Medical facilities are inadequate and his state of health is alarming. He suffers from a serious skin disease and is gradually going blind.

When and if he comes out, Belys Gajauskas will be 67.

More letters, Page 5.

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Pinochet Rejects Demands For a Return to Democracy

By Juan de Onis

SANTIAGO—President Augusto Pinochet has rejected the demands of leaders of a broad opposition movement in Chile that he shorten his presidential term and call elections. Union leaders subsequently announced plans to continue the pressure on the military regime.

General Pinochet's decision follows the strongest outburst of dissent in nearly 10 years, which climaxed May 11 in a national day of protest that left two persons dead and more than 300 under arrest. The Chilean leader blamed the unrest on an "international plot" guided by the Soviet Union to bring down the government.

The president made his comments Thursday in a closed meeting with cabinet members and the leaders of the three military branches. But he clearly intended the remarks as a reply to political and union forces that have criticized his authoritarian rule. Filmed excerpts from the talk were broadcast Friday on national television.

"There are some people who have the crazy idea that there

should be a speedup in the constitutional process being conducted by the government. To them I say no," the president said. The constitution, which was approved by a controversial plebiscite in 1980, extends General Pinochet's presidential term until 1989, at which time a return to democracy is envisioned.

The only concession offered by General Pinochet in a 25-minute denunciation of "falsifications" politicians, "brazen" labor leaders and Soviet-inspired plotters, was a proposal to meet with business and labor leaders to hear union grievances over restrictive labor legislation.

A meeting of union leaders, representatives of the national lawyers association and other professional groups has been called for Monday to organize legal and political backing for those arrested during and after the May 11 demonstrations.

The recent protests stem largely from frustration over the repressive conditions under military rule, but have been sharpened by public frustration over the severe economic crisis facing the country.

Unions Form National Group

Sixty labor leaders claiming to represent most union members in Chile have formed a National Command to work for "the re-establishment of democracy and the free exercise of labor rights." The Associated Press reported Saturday from Santiago. It said the leaders called for another national day of protest.

A spokesman for the national grouping, Sergio Barriga, gave reporters a written statement saying the May 11 demonstrations "made evident the deep discontent over the grave economic, social, moral and political crises the country suffers."

The statement accused the government of resorting to "threats of repression and persecution" when what was needed was "calm and objective analysis."

Mr. Barriga declined to comment on General Pinochet's offer to meet with union leaders and businessmen about possible changes in labor law. A 1979 decree limits strikes to 60 days and collective bargaining to the factory level.

Art Historian Kenneth Clark Dies

By John Russell

NEW YORK—Kenneth Clark, 79, art historian, museum director, author and narrator of the television series "Civilization" and for many years a pre-eminent figure in British cultural life, died Saturday in a nursing home in Hythe, England, after a short illness.

Though best known throughout the world for "Civilization"—the most successful television series of its kind, and a pioneer achievement in its time—Lord Clark left his mark not only on the art world in many of its ramifications but on the concept of governmental patronage and the development of opera, ballet and theater in Britain.

He was knighted in 1938 for his services to art and was made a life peer, becoming Baron Clark, in 1969.

Kenneth Mackenzie Clark was born on July 13, 1903, to Kenneth Mackenzie Clark and Margaret Alice MacArthur Clark.

The family owned a cotton-thread business that yielded a very substantial income. The young Clark was educated at Winchester School and Trinity College, Oxford. After graduation he worked for two years in Florence with Bernard Berenson, the most celebrated art historian of the day.

At age 28 he became keeper of fine art at the Ashmolean Museum in Oxford, and at 30 he became director of the National Gallery in London. In the same year he was appointed surveyor of the king's pictures, with direct responsibility for the thousands of paintings and drawings that are to be found in Buckingham Palace, Windsor Castle, Hampton Court and other royal establishments.

In 1929, he published "The Gothic Revival," a catalogue of Leonardo drawings at Windsor Castle in 1925 and a concise general study of Leonardo in 1939.

In 1938, he produced "100 Details in the National Gallery," a work of popularization that was widely enjoyed and no less widely copied.

After being knighted in 1938, Sir Kenneth worked from 1939 to 1941 in the Ministry of Information, where he established a roster of official war artists.

In 1945 he resigned from the directorship of the National Gallery to write, lecture and study.

As Slade professor of Fine Art at Oxford from 1946-50 he produced lectures that were published as "Landscape Into Art." Over the next quarter-century, he wrote "Piero della Francesca" (1951), "The Nude" (1955), "Rembrandt and the Italian Renaissance" (1964) and "The Drawings of Botticelli for Dante's Divine Comedy" (1976).

He also wrote two volumes of autobiography, "Another Part of the Wood," published in 1974, and "The Other Half," in 1977.

Eager to reach a larger audience and hopeful of promoting direct government patronage of the arts, he accepted such major appointments as the chairmanship of the Arts Council of Great Britain, from 1953 to 1960, and of the Independent Television Authority, from 1954 to 1957.

He was also very active in the affairs of the Royal Opera House, Covent Garden and the National Theatre.

While associated with the National Theatre he became aware of the immense and, at the time, unrealized potential of television as an educational force. After leaving the Independent Television Authority, he decided to produce films on art that would both instruct and delight a popular audience.

This was the spirit in which "Civilization" was made for BBC Television, in 1969.

Though greeted with caution by some specialists, "Civilization" soon proved to be a great success in Britain and an even greater success in the United States, where it was shown repeatedly both on public television and in museums.

As a survey of human achievement in architecture, music and the fine arts, "Civilization" did a remarkable job of popularization, one that was no less successful in book form.

Mr. Clark made it known some years ago that he intended to bequeath many of the most important books in his personal library to the Folger Morgan Library in New York.

"During the last 50 years the United States has been infinitely generous to Great Britain," he said. "They have not only saved us from extinction in two wars, but they have saved buildings and books that mean much to us."

"As far as I know, the movement has been all one way," he added. "My offer to the Morgan Library is small, a very small sign of recognition of what we owe to the United States."

Kenneth Clark was married twice. By his first wife, the former Elizabeth Martin, who died in 1976, he had two sons and a daughter.

In 1977, he married Nohwen de Janz-Rice, who survives him.



Thousands Protest in Argentina

The Associated Press

BUENOS AIRES—About 25,000 people, chanting "Assassins, Assassins" and "The custom of killing must end," followed human rights leaders Friday night in a march repudiating the military government's final report on the 1970s war against leftists.

The march was the largest human rights demonstration in Argentina since the military took power in a 1976 coup that deposed President Isabel Peron.

Led by Adolfo Pérez Esquivel, the 1980 Nobel Peace Prize winner who was in the 11th day of a fast protesting "hunger, unemployment and political repression," the march covered 20 blocks and ended at a plaza facing the National Congress, which has been closed since the coup.

Human rights leaders shouted speeches criticizing the government's April 26 "final report," in which it attempted to justify the actions of security forces from 1975 to 1979.

The report failed to answer demands for information on persons who disappeared during the conflict. Church and human rights organizations have estimated that 15,000 to 30,000 disappeared, many of them kidnapped from their homes.

Above, Adolfo Pérez Esquivel, with his son Leonardo, right, waving to protesters during Friday's rally in Buenos Aires. Below, marchers fill the streets on their way to the rally at the National Congress.



Eric Hoffer, 80, Dies; Was Docker, Writer

By David Einstein

LOS ANGELES—Eric Hoffer, 80, a waterman-philosopher who gained fame in the 1960s by capturing the spirit of disenchanted Americans with blunt and often pessimistic commentaries on society, died Saturday at his home in San Francisco.

A longshoreman-turned-writer who worked the San Francisco docks even after he became a celebrity in intellectual circles, Mr. Hoffer called himself "a tourist in life." He never married and lived almost all his life alone.

Mr. Hoffer wrote nine books and enjoyed his greatest popularity in the late 1960s when his commentaries were carried in almost 200 newspapers. He lectured throughout the United States, appeared on television and held the post of "conversationalist at large" at the University of California in Berkeley.

Last February, President Ronald Reagan awarded Mr. Hoffer the Presidential Medal of Freedom, the highest civilian honor in the United States.

Mr. Hoffer was perceived as an American original, a man combining physical with intellectual strength. He had no formal education, not even grammar school.

Born in New York City in 1902, Mr. Hoffer was blinded in a fall at the age of 5. A decade later his vision returned, and he was filled, he later said, "with enormous hunger for the printed word."

In 1920, he came to California as a migratory farm worker. In 1943 he became a longshoreman.

His first book, "The True Believer," published in 1951, was a tour analysis of social movements. He wrote, "All mass movements, irrespective of the doctrine they preach... breed fanaticism, enthusiasm, fervent hope, hatred and intolerance."

The book was a best-seller and was read widely in universities, where he gained a following among disenchanted students and intellectuals.

Yet he also criticized his own audience. During a time of student unrest he said that the problem was not whether the universities were



Eric Hoffer

fit for students, but rather "whether many of the students are fit for universities."

He accused intellectuals of believing that they "have a God-given right to direct and shape events" and of seeking to manipulate people.

Mr. Hoffer's other books were "The Passionate State of Mind" in 1955, "The Ordeal of Change" in 1963, "Temper of Our Time" in 1967, "Working and Thinking on the Waterfront" in 1969, "First Things, Last Things" in 1970, "Reflections on the Human Condition" in 1972, "In Our Time" in 1976 and "Before the Sabbath" in 1979.

In 1967, Mr. Hoffer retired from the docks and three years later he abruptly withdrew from public life. "Any man can ride a train," he said. "Only a wise man knows when to get off."

Whitney North Seymour, 82, assistant U.S. solicitor general during the Hoover administration and a lifetime champion of civil rights, died Saturday in New York.

Alexander Zolner, 24, the Soviet Union's best known Alpine skier, Thursday in an automobile accident near Moscow. In 1981, he placed third in downhill skiing in World Cup competition.

Lagos Is Hustling Its Way From Boom Town to Bust

Nigeria's Decaying Capital Falls Victim to Ambition and Excess as Oil Funds Falter

This is one in a series of occasional articles on major cities of the Third World.

By Alan Cowell

New York Times Service

LAGOS—In the catalogue of African capitals, there are many that seem to be frail places, products of colonialism's brief interlude that the traveler might visit and leave without passion or scars. Lagos is not one of them.

This is a place that cannot be ignored, that demands response and emotion; a city that combines New York's vibrancy with the decay of Dickensian London.

If there were some kind of physical scale by which capitals could be judged, Nigeria's first city would be among those whose condition might be compared to matter nearing a state of critical mass.

If an explosion were to occur, the traveler senses, it would be on a grand scale.

Lagos is facing severe problems in many ways typical of other cities in the Third World, where development is lagging badly behind enormous population growth and migration from the countryside.

Lagos is the capital of a nation whose self-perceptions were framed in absolutes.

Nigeria's civil war, from 1967-70, was Africa's bloodiest. Lagos is the largest national capital south of the Sahara.

Nigeria, with its 80 million to 100 million people, is one of the largest democracies in the world, and its paradoxes are many.

It is black-ruled Africa's richest nation, a self-appointed standard-bearer of black rights that at the same time showed no hesitation or pity in showing expelling up-

ward of a million foreigners whose usefulness had expired earlier this year.

Among its 19 federal states are some wealthier and more populous than entire nations elsewhere in Africa.

Some of Nigeria's shuns rank among the world's worst. And at the center of it is Lagos, reflecting the national reality—arrogant, hectic, self-assertive, in a constant pursuit of wealth and, as the explosion in January of Ghanians and others showed, a place seeming to know no restraint or self-doubt.

A census in 1963 put the population at 430,000, but that was before the great oil wealth of the 1970s began drawing in the young and the ambitious. They were men reluctant to till ancestral fields or tend plantations, who came in quest of the new totems—the silvery Mercedes, the gold Rolex and other symbols of the rapidly acquired wealth perceived as the harbinger of modernity.

Once no more than a collection of fishing villages around a lagoon and later a stopover point for slave traders, Lagos is now home to upward of five million people, an unplanned entity whose growth, spurred by oil, has far outstripped its ability to contain or careen its people.

The population engorged a city that could not expand correspondingly because much of it is built on swamp and island, and the terrain could not cope with the influx of cars and people.

The city's image became one of noisome failures: traffic jams, sandwiched between open drains; floodwaters flushing out of pits; rainwater onto streets of mud; power outages and the sprawl of gin-rack

shantytowns, encapsulated in a damp heat that settles oppressively, a place, according to an official press release, of "personal traffic jams, intolerable congestion, chaotic sanitary situation, inadequate social amenities, an alarming crime rate."

At the peak of the oil boom, Nigeria was producing two million barrels of oil a day and the price was \$40 a barrel. Eighty million dollars' worth of wealth every 24 hours, \$55,555 a minute.

It all went somewhere, into contracts and prestige projects, and, overwhelmingly, into personal, not civic, advancement.

These days, with the oil boom tapering off and the dollar reserves fading, the city counts the cost of its own expansion. In the plusher parts of town, for instance, there is supposed to be enough water, but the taps run dry and an enterprising person will buy a pump and tap the mains and secure a supply at whatever detriment to those farther down the line.

In theory, the National Electric Power Authority will provide power from a capacity that has tripled in recent years. But that does not stop the system from breaking down because of overloads, so that the authority's acronym, NEPA, becomes the butt of jokes. NEPA, people say, means "No electric power anywhere," or "Never electric power again."

There are monuments, too, to other shames: the charred detritus of office suites and buildings burned by their occupants to destroy evidence of embezzlement and fraud. The Foreign Ministry was set on fire in December 1981, and part of the main external telecommunications building went

Indiana Town Given New Life in Renewal Led by Businessmen

By Andrew H. Malcolm

New York Times Service

WARSAW, Indiana—The view from Bob Goley's bank office window was a common sight in many Midwestern small towns: the village square, the old county courthouse, the crumbling sidewalks, the decaying century-old brick building whose broken windows made flyways for scores of pigeons.

"Things did not look good for downtown," said Mr. Goley, executive vice president of the First National Bank of Warsaw. But now, nearly a decade later, despite high interest rates, high unemployment and low morale, things are looking up here, thanks to an unusual combination of foresight, private initiative, tax breaks and determination, not to forget Frank Saemann's personal fortune.

"It has been a slow, slow, very slow process," said Deborah Wiggins, executive vice president of the Greater Warsaw Chamber of Commerce, who moved here four years ago. That is just about half the time it has taken to get the old brick Crownover Building refurbished and reborn as the Saemann Building.

But that development alone is big news in this city of 10,000 people.

Most small-town downtowns across the Midwest have a similar block, the one that used to have a hardware store, a drugstore, a lawyer's office and a dentist's office upstairs, something called a dry goods store and perhaps an aging moving-picture house near the corner.

"I remember in the Depression," said Jean Northener, the Republican county auditor in a very Republican county, "we'd do our Saturday shopping over there, get some candy at the dime store and then everyone would sit in their cars on Center Street all evening and watch their friends go by and talk and socialize. Your entertainment had to be cheap in those days."

Fort Wayne and South Bend are both still 50 miles away (80 kilometers). But that 50 miles, once a forbidding two-day ride on horseback through Indian country, has become a one-hour, think-nothing-of-it, air-conditioned outing to the big-city mall for the whole family.

Some local commercial strip developments were also giving the city center tough competition with their new structures, bright lights and easy free parking. So an informal group of downtown Warsaw businessmen began meeting for lunch monthly almost 10 years ago to discuss their town's ills.

Unofficially, the 10 businessmen called themselves the Downtown

Development Commission. Their first priority was fixing up that one vital block of storefronts, many of them vacant and one of them, the old movie, charred by fire.

It was a multimillion-dollar job for someone with vision and enough millions to need a tax break or two. Enter Frank Saemann, who left Chicago as a youth to turn salesman and help turn Warsaw into the self-proclaimed orthopedic capital of the world. The city claims four of the largest medical equipment companies in the world, including Mr. Saemann's own corporate creation, Orthopedic Equipment Co.

Mr. Saemann, 76, who divides his time between Warsaw and Florida, had already acquired some love on the block. At the gentle urging of commission members, he quietly bought other plots too until word got out and the remaining pieces got too high.

Then five banks put together a \$925,000 Economic Development Bond, which takes on many of the tax-saving characteristics of a municipal bond, enabling the banks to charge lower interest, in this case 7.75 percent instead of 12 percent or 14 percent. Mr. Saemann also got a 25-percent investment tax credit for rehabilitating a building more than 40 years old.

"I'd like to see the town prosper," Mr. Saemann said in an interview. "It's a nice town."

The 100-year-old corner building was restored and modernized and named for its investor. Other adjacent structures were renovated. But everything must retain its old small-town look.

Mr. Saemann, recently in poor health, hired Thomas E. Smith, 29, a successful real estate consultant, to oversee his private land investments across northern Indiana. The energetic Mr. Smith has filled all of the new stores with tenants, including a jewelry, a Mexican restaurant and an ice-cream parlor.

"Mr. Saemann did not have a reputation for an overabundance of civic spirit," said one friend. "He's a shrewd fellow. And he tended to dominate any place he was." Last winter he was chosen as Warsaw's Man of the Year.

As word spread this spring that Indiana's senior senator, Richard G. Lugar, would cut the ribbon at the new dedication of the old building May 22, an interesting thing happened. The impact of Mr. Saemann's investments began to spread here. Other downtown store owners started to clean up, paint up and think positively. "Now," says Mrs. Wiggins, "there aren't any vacant places downtown. And when one does go empty, it's filled right away."

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Politics, Substance

Regarding "Glenn Overturns Mandate in Poll" (IHT, May 16):

As in most other newspapers, your coverage of politics in advance of the U.S. presidential election concentrates more on form than on substance. This report is only one example. As a U.S. overseas resident relying primarily on accounts such as those appearing in the International Herald Tribune to make up his mind, I would appreciate more commentary and a greater exploration of the issues.

JACK B. BOYER
London

Beating the System

The French said (IHT, April 28) they were boycotting the pre-economic-summit meeting in Paris be-

cause it "circumvented established procedures." But wasn't it the French who invented le système?

M.J. SIENKO
Vienna

The Bishops on War

At about the time the American Catholic bishops issued their pacifist manifesto, the pope in addressing a group of scientists referred to the error of church authorities in condemning Galileo for holding that Earth rotates around the sun. The pope said that the erroneous inclusion by those ecclesiastics of this issue within their moral position stemmed from their naïveté concerning the subject matter.

The same kind of naïveté seems to have afflicted the American bishops in their conclusion that the existence of nuclear arms changes

the principles of perennial moral issues regarding war. They seemed to have been unaware, for example, that history reports that the Thirty Years War of 1618-48 destroyed two-thirds of the population of Germany. There is a need for greater analysis as to whether increasingly powerful weaponry makes any essential difference as to the ever inherent horror of war.

JOHN CRAIG
Fancy-Volant, France

About 'Sovietophobia'

The military programs of the Reagan administration may well be subject to criticism as to their concept, size, cost, effectiveness and timing. However, to see them as a pathological manifestation of "Sovietophobia" is invalid and dangerous because it ignores the long

record of Soviet aggression and expansion since the beginning of World War II. World domination by Soviet communism is indeed, as Prof. Stephen F. Cohen has written (IHT, March 26), a "longstanding and loudly proclaimed Soviet goal." But ignoring or trying to explain away aggression is the very essence of appeasement. Politicians and intellectuals who ignore Soviet aggression are very properly and accurately subject to charges of appeasement or worse.

ROBERT KLARER
London

Israel in Lebanon

We all feel sorry for the destruction of the U.S. Embassy in Beirut and the loss of many innocent lives. One more vicious and cowardly act of the PLO in a long

list. One more act by which Yehonatan Andropov tests President Reagan on just how far he is ready to go.

No doubt it was a mistake to prevent the Israelis from taking West Beirut. Had they been allowed to do so the U.S. Embassy would still be there and many lives would have been spared.

MATILALON
Jerusalem

If Israel's purpose in invading Lebanon, intimidating its popula-

tion and fomenting unrest in the areas under its control was only to secure Israeli borders and negotiate an early departure, what is it still doing in Lebanon?

FADIA WEHBE
Beirut

The Wrong Balm

Regarding "For Dr. Kingley, a Palm Greeted With Fortune" (IHT, May 6) by Debra Weiner:

"The balm of the Pacific Ocean penetrated the misty night." Well, the Pacific Ocean must have been really balm to penetrate all the way to Galle Road in Colombo on the night the writer visited Dr. Goonetilleke's clinic. Could she have meant the Indian Ocean?

DON C. YAGER
Seeb, Oman

Letters intended for publication should be addressed to the editor and contain the writer's signature, name and address. Brief letters receive priority, and letters may be edited. We cannot acknowledge all letters, but we value the views of the readers who submit them.

WORLDWIDE ENTERTAINMENT

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Economic Recovery: New Plan Encourages Private Investment

By Fred Langan

TORONTO — Ontario's treasurer, Frank Miller, brought down a budget in May that he hopes will lead to economic recovery by encouraging private investment, by giving tax breaks to big and small businesses and by making up some of the revenue shortfall through a small tax increase. But the Ontario economy may need more than tinkering.

The province will have to do an economic juggling act to get away from its reliance on the old smokestack industries, especially the automobile sector, and, at the same time, to move its manufacturing base toward high-technology. Ontario already leads Canada in high technology.

But the economic message of Ontario is not all bad. The province has a strong base on which to rebuild.

The province of Ontario has not been as hard hit in the recession as some other areas of Canada, especially British Columbia and the neighboring province of Quebec. The reason is that Ontario has a more diversified economic base than any other province in Canada. Quebec may have a separatist government and some western Canadians may dream of seceding, but Ontario is the only province in the country that has the economic wherewithal to make it on its own.

Ontario is the home of Canadian economic nationalism, and perhaps the reason is that the province has so much to protect. It has about 30 percent of Canada's manufacturing capacity, most of it centered in the area called the Golden Horseshore, a densely populated strip along Lake Ontario stretching from Oshawa, east of Toronto, to Niagara Falls. That area includes the strength of Toronto as the financial and head office capital not just of Ontario but of all Canada.

The province is Canada's largest agricultural producer, something that even Canadians are surprised to learn, as most think the big western grain-producing provinces would be on top. The mineral wealth of northern Ontario also makes it the leader in mining.

Throughout the recession, the province's manufacturing and mining sectors have suffered the most. Manufacturing relies heavily on the automobile sector, so much so that one job in six in Ontario is said to be part of the car business. One measure of the slowdown in this sector is a report from the United Auto Workers that their membership in Ontario has dropped by about 25 percent over the last two years. But there may be a turnaround in the making. The four domestic car makers operating in Ontario — General Motors, Ford, Chrysler and American Motors — all reported an increase in sales in April.

Ontario always has been the largest and most populous province in the country. Canada's first prime minister, Sir John A. Macdonald, was from Kingston, Ontario, and his policies did much to ensure Ontario's economic well-being. What was called the national policy was introduced in the late 1870s to protect and to develop local industry by putting up a high tariff barrier. That policy worked, especially in Ontario and, to a lesser degree, in Quebec. But many of the American firms that had been exporting to Canada simply set up branch plants in Ontario to service the Canadian market. By the 20th century, Canada's industry was dominated by foreign firms, which led to economic nationalism and such legislation as enacted by the Foreign Investment Review Agency.

A lowering of the tariff barriers over the last decade, mostly brought about by Canada's membership in the General Agreement on Tariffs and Trade, has meant a decline in Ontario's manufacturing industries, but, at the same time, it has meant the development of new ones. Ontario is down but not out.

Premier William Davis and his majority Progressive Conservative government have considerable scope in economic recovery, even though monetary policy and much fiscal policy is controlled by the federal government in Ottawa. May's budget apparently will try to stimulate private business, while holding back on government spending, except to maintain social services.

The most conservative man in a Conservative government is Gordon Walker, the minister of industry. He is a believer in private business and as little government as possible, a different creed from most Canadian politicians, especially those in power.

Mr. Walker has big plans for Ontario. He denies that the car industry is down and out and feels that the North American car industry is about to make a comeback. He confidently predicts that he will double exports from Ontario to \$20 billion in five years. Government studies have shown that about 20 percent of Ontario's production is export related, so Mr. Walker feels that even a 5-percent increase in exports would produce about 50,000 new jobs.

Ontario already accounts for almost half of Canada's exports. As part of the export development program, Ontario plans to expand its trade offices around the world. It already has 11 such offices, five in the United States and one each in Paris, London, Frankfurt, Brussels, Tokyo and Hong Kong. The plans are to open new bureaus in the Far East and the Middle East.

Mr. Walker also sees Ontario moving toward high technology, but so does every other province in Canada. Ontario, however, has a head start.

The area around Ottawa has been nicknamed "Silicon Valley North," because of the large number of computer and telecommunications manufacturers there. Bell Northern Research, which does the research for Northern Telecom and its parent, Bell Canada, was first in Ottawa, and its presence spawned other high-tech firms. Other firms include Mitel, which manufactures telephone switching equipment and which now has a subsidiary that makes a portable computer called the Hyperion; Gaudin, which makes telecommunications equipment; and Nabu, a computer manufacturer with a retailing subsidiary.

Toronto also is home to high-tech industries, including Northern Telecom, one of the largest telecommunications companies in North America. Its success can be measured by its stock price. A year ago it was \$34.40; it is still at that price today except the shares have split three for one. Spar Aerospace, which built the arm for the U.S. space shuttle, is also in Toronto.

INTERNATIONAL Herald Tribune

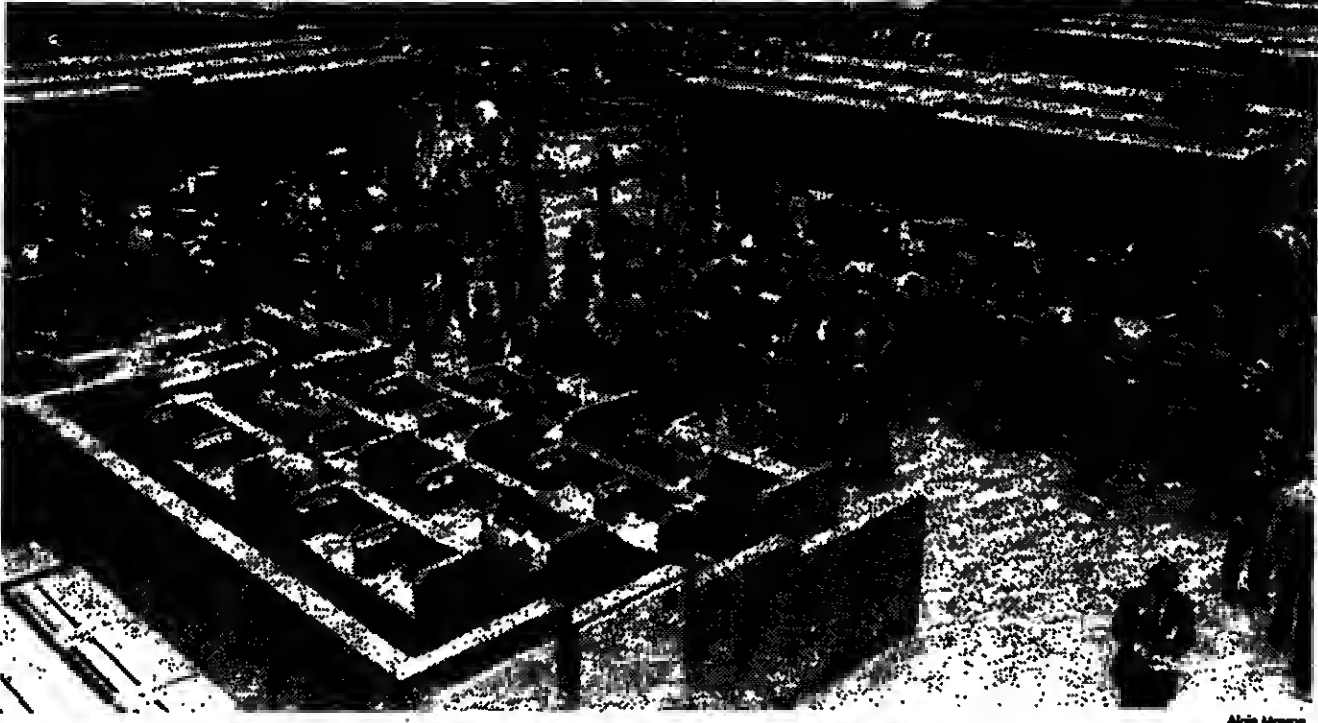
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MONDAY, MAY 23, 1983

ONTARIO

A SPECIAL REPORT



The new Toronto Stock Exchange during opening ceremonies on the floor.

Move to New Stock Exchange Tower Reinforces Toronto's Image as Financial Center of Canada

TORONTO — On Monday, May 9, the Toronto Stock Exchange moved its trading floor from its art deco building on Bay Street to a new steel-and-glass tower on King Street a block away. The new trading floor for the exchange, known as the TSE, reinforces Toronto's position as the financial capital of Canada. Within a block or two of the new exchange are the head offices of most of the major banks and brokerage houses in Canada. Toronto has left Montreal behind.

Twenty years ago, there could have been an argument about which of the two cities was the financial capital of Canada; now Toronto is the undisputed victor. The shift to Toronto was first noticed in the late 1940s, when business on the old TSE, in use since 1937, exceeded that on the Montreal exchange. The Toronto exchange now is responsible for about 80 percent of all the equity trading done in Canada.

The move to the new building cost the 81 member firms of the exchange \$25 million, and during the market slump a year ago, there was concern about where the money would come from. But the bull market that started in August has pumped so much money into the Canadian market that the new facilities already are paid for. The 2,800-square-meter (30,000-square-foot) trading floor is triple the size of the old space, which was overcrowded and unable to meet the electronic demands put on it. Computer and phone lines are hidden below the floor and technicians can sort out problems without disturbing traders. The new floor is

quieter because it is carpeted, and traders are equipped with a noiseless paging system that should cut down on yelling.

The TSE expanded over the last decade to include options and futures trading, along with 1,200 stock issues. Thus, the need for expansion. Last year, the exchange traded 1.6 billion shares, worth \$2.1 billion.

Toronto is the banking hub of Canada. The big five Canadian banks do 90 percent of the banking business in the country and all have office towers within a block of King and Bay streets in Toronto. The Toronto Dominion Bank and the Canadian Imperial Bank of Commerce have their head offices in Toronto, while the other three are effectively run from Toronto. The Bank of Nova Scotia has its head office in Halifax, but the chairman and president live and work in Toronto. The Royal Bank of Canada, the country's largest, has its head office in Montreal, as does the Bank of Montreal, but both banks are increasingly run from Toronto and most of their corporate finance activity is in the country's financial capital as well. The Bank of Montreal recently transferred its international banking group from Montreal to Toronto.

More than two-thirds of all the checks cashed in Canada are cashed in Toronto, which means the banks have centralized their operations, many of which used to be in Montreal. Toronto is the capital of Ontario, so government is the leading employer in the city. But the next largest single employer is the Canadian Imperial Bank of Commerce.

Since Canadian banking laws were changed in 1981 to allow foreign banks to operate in Canada, 56 foreign banks are operating in the country, from Barclays Bank to the Swiss Bank, and 45 of those banks have their head offices in Toronto, almost all of them in the downtown financial core. One noticeable exception is Banque Nationale de Paris, which is putting up a large office tower to run its business in French-speaking Montreal.

The insurance industry is centered in Toronto — the giant Sun Life moved from Montreal in the late 1970s, saying it could not live with Quebec's language laws. Toronto also wants a Lloyd's of its own and the Ontario government is sponsoring a study to see if an insurance exchange could be set in the same building as the new stock exchange.

There are industries within view of the downtown banking towers, but Toronto's industrial base is contracting, or rather moving to the suburbs. Downtown space and property along the lake are too valuable to be used as factories or warehouses. Grain terminals in the old port of Toronto are being torn down to make way for new office and apartment blocks. Just a few years ago there were concerns that Toronto would see its position as Canada's financial capital eroded by the boom cities of Calgary and Vancouver. But the western Canadian economies, based on oil and coal and timber, have been hit hard. Those two cities have not expanded; and Toronto remains at the top.

—FRED LANGAN

Province's Leaders Play Sensitive Role On National Scene

By Les Whittington

TORONTO — After 12 years as the head of government of the most populous of Canada's 10 provinces, Premier William Davis of Ontario recently decided against running for the leadership of his national party.

The Progressive Conservatives, which now form the opposition to Prime Minister Pierre Elliott Trudeau's Liberal government, stand a good chance of winning the next national election, expected next year, because of widespread dissatisfaction over Mr. Trudeau's handling of the economy.

But, despite the chance of being prime minister, Mr. Davis decided not to be among the candidates lining up for the Conservative leadership convention in Ottawa in June. Mr. Davis' reasons said a great deal about Ontario's place in the fractious Canadian federation and about the continuing tensions that divide the regions of the nation.

Throughout Canada's 116-year history, Ontario has upheld the country's English traditions and heritage, while its next-door neighbor, Quebec, nurtured the culture of the other founding people, the French. In addition to this bedrock polarity with Quebec, antipathy toward Ontario has arisen in other regions, particularly the western provinces of Alberta, Saskatchewan and British Columbia, as a result of deeply entrenched economic policies. Many people believe tariffs and other measures favor Ontario, with its population of six million, at the expense of farmers and consumers in the more sparsely populated West.

The regional conflicts, played out in the last decade in Canada in the struggle over Quebec's now-stalled drive for independence and the hotly debated drafting in 1980-81 of a new Canadian constitution, still reverberate through every aspect of national politics. For these reasons, Mr. Davis decided, in spite of his wide popularity within his party in some areas of the country, not to attempt to win control of the Conservative Party and thus gain a chance to run for prime minister.

Mr. Davis told reporters his decision was made in order to avoid becoming "a controversial force" that would further divide his party, and potentially the country — along east-west lines. In keeping with earlier Ontario governments, the Davis administration has seen its role as a mediator and promoter of cooperation in the federal-provincial relations that are of such importance in Canada's highly decentralized government system. But the record under Mr. Davis in this respect is spotty, in the view of many observers, and Ontario has inevitably made enemies among other provinces.

In the years of fast-rising energy prices in the late 1970s, Ontario, as the country's largest manufacturing area but possessing no oil of its own, lobbied successfully to keep Canadian crude prices below the world level. Ontario's determination on that issue was fed by the shifting terms of trade that were increasingly favoring western Canada, particularly the major oil-producing provinces, Alberta, and the decline of important basic industries such as coal, steel and textiles in Ontario.

In 1970, Ontario's output per capita was the highest in the country. Now the province is fifth, with Alberta on top. In fighting for cheaper oil on behalf of Ontario manufacturers and consumers, Mr. Davis sided with Mr. Trudeau in a protracted, bitter dispute with Alberta's premier, Peter Lougheed, who believed his province was entitled to more revenue through higher prices for its crude. Similarly, the Liberal government under Mr. Trudeau was able to count on help from Mr. Davis' Conservative Ontario administration in the historic internal squabble over the basis of a new constitution.

Conservative Party premiers in most of the other provincial capitals, along with Quebec Premier René Lévesque, fought against Mr. Trudeau's constitutional proposals. The premiers said the proposals ceded too much power to Ottawa. In the process, Mr. Davis earned the enmity of other premiers.

The Davis government also has angered Quebecers because of the refusal of Ontario, which has a small minority of French-speaking residents within its borders, to declare both French and English official languages. The Conservative provincial premiers are able to exert a strong influence on their party at the national level. And Mr. Davis knew, in contemplating a bid for national office, that he could count on only limited support from his party in Quebec and that Mr. Lougheed in Alberta would use his substantial clout to keep the Ontario premier from becoming the Conservatives' national standard-bearer. The situation was deeply regretted by some observers because it had deprived the national scene of a seasoned politician possibly capable of injecting stability into Canada's currently unsettled political scene.

To Canadians, weathering a severe recession, the question of who will guide the country back to prosperity has taken on crucial importance. Mr. Trudeau, at a moment of unprecedented unpopularity among voters, is set to resign in a year or so. But the Conservatives, rather than preparing to take power, have been battling among themselves since January, when an inadequate show of support for his leadership showed, former Prime Minister Joe Clark, led him to call a leadership campaign. As elsewhere in Canada, the majority of Ontarians seem to want more conservative, two-business government policies and less of the Canada-first strategies that under the Liberals have brought attempts to take control of foreign-owned oil assets and screen all foreign investment coming in the country.

Last year, the Davis government, in concert with the economic restraint plan put in place by the Trudeau administration, moved to restrict the wage increases of 500,000 Ontario public servants to 5 percent in 1982-83. Private business was asked to follow that example. With its manufacturing industries plagued by widespread layoffs, Ontario has introduced some measures to spur growth, including plans for expenditure of \$1.5 billion in government and private funds on electrical power plants, mass transit and other major projects over five years.

Shakespeare Leads a Heavy Agenda of Summer Festivals

By Ken MacQueen

OTTAWA — The beer tents and craft displays are packed away on May 24 and the 250,000 tulips planted throughout Ottawa will collapse shortly thereafter, as they always do, exhausted after the eight-day party.

That is the problem with using tulips as the centerpiece for Ottawa's festival of spring. They have no staying power and they are prone to such exotic maladies as tulip fire fungus. "You can't control nature," said Pierre Lamoureux, the festival's manager.

For just that reason, most of the dozens of festivals around Ontario are built on a more enduring premise. Stratford and Niagara-on-the-Lake, for instance, have done rather well by celebrating the works of Shakespeare and Shaw. But almost any excuse will do. The border cities of Windsor and Detroit join hands June 24 to July 4 for the International Freedom Festival.

And tens of thousands will attend the annual celebration of the soil, the International Ploughing Match and Farm Machinery show, to be held this year at Richmond, outside Ottawa, Sept. 27 to Oct. 1.

Shakespeare has settled comfortably in Stratford, a pleasant two-hour drive west from Toronto, although one suspects some townsfolk consider him a bit too ritual. But Stratford has adjusted, still tending to the swans that ply the Avon river and now offer-

ing an acceptable selection of restaurants and nightspots.

The Stratford festival offers five of Shakespeare's works in its 31st season: "Macbeth," "As You Like It," "Richard II," "Love's Labor's Lost" and "Much Ado About Nothing." As well as a selection including "The Merchant of Venice," "A Midsummer Night's Dream" and "The Taming of the Shrew," by Gilbert and Sullivan, and Arthur Miller's "Death of a Salesman." Lectures by celebrities are also scheduled throughout the season, as are concerts ranging from Ella Fitzgerald to Neil Sedaka. Tickets can be ordered by mail from the festival theater box office, P.O. Box 520, Stratford, Ont., N5A 6V2.

Meanwhile, the Shaw Festival, in the picturesque town of Niagara-on-the-Lake, has put together a splendid season for May 4 to Oct. 2. For those torn between Stratford and Niagara, Tish Wilson, a theater critic, said the latter, located on Lake Ontario not far from Niagara Falls, "offers the best in sheer instant gratification for tourists."

The lovely homes, fudge and craft shops almost seem to have been borrowed from the festival's property room, she said. Her summers are spent dashing between both major festivals on behalf of her newspaper, the *Kitchener-Waterloo Record*. "The fare at the Shaw Festival tends to be a bit lighter," she

said. "I mean, Stratford really does try to do the classics."

This season Niagara includes Shaw's "Caesar and Cleopatra," "Candida" and "The Simpleton of the Unexpected Isles." Among the other offerings are an opera based on Fielding's "Tom Jones," "The Rookery" by Ben Travers and Noel Coward's "Private Lives." Tickets are offered by mail from the Shaw Festival box office, P.O. Box 774, Niagara-on-the-Lake, Ont., L0S 1J0. Some of the attention has shifted from the two major festivals this year as theater patrons anticipate the inaugural season, Sept. 19 to May 5, 1984, of the Grand Theater Company in London, Ont. Miss Wilson said it has drawn many of the familiar faces from the stages of Stratford and Niagara and has for its artistic director the mercurial Robin Phillips, who stood Stratford on its ear during his reign there.

Its first season includes Shakespeare and Shaw, the dotting "Arsenic and Old Lace" and the rock musical "Godspell" among others. Information: Theater London, 471 Richmond St., London, Ont., N6A 3E4.

Scattered throughout Ontario is another class of festival where various forms of culture are celebrated — but always in sight of a beer tent. Most last about a week — or until one's liver starts twitching. Early off the mark, June 17 to 25, is To-

ronto's Caravan. Various countries are explored as one travels from pavilion to pavilion, setting down food and drink just long enough to get a special passport stamped.

Niagara's grape harvest is celebrated Sept. 23 to Oct. 2 in St. Catharines, an hour from Toronto. Tourists and locals put down the Moscatel-Cadee long enough to sample the products of the local wineries and soak in some culture at the grape and wine festival.

The burghers of Kitchener-Waterloo are apt to get huffy if you remark on the awesome volume of beer consumed during their annual Oktoberfest, Oct. 7 to 15. Granted, the area's German heritage is displayed in all its manifestations, but it is the twenty-fellowship of the beerhalls that must be savored, if not always remembered.

Most any weekend from spring through fall there is a fair, a highland games or a folk festival within a short drive of anywhere. One event, the Mennonite auction relief sale in New Hamburg, near Stratford, soars above the sticky landscape of candy floss, ring toss and hotdogs. It is held May 28 this year and it raises money for the Mennonite central committee's overseas relief work.

There are many fairs and exhibitions to forestall the approach of winter, including Toronto's huge, indoor, royal agricultural winter fair, Nov. 10 to 19.

High Tech Becomes 2d-Largest Employer

By Anne Gregor

OTTAWA — Seven years ago, municipal authorities in Ottawa were devastated. The federal government, by far the largest employer in the capital area, announced a new policy of decentralizing government services. Whole departments were to be moved across the Ottawa River to the neighboring city of Hull, in the province of Quebec, and many other groups were told they would be moving to centers across the country.

"We realized we couldn't rely on the federal government," said William Marshall, president of the region's Industrial Development Corporation. The municipal representatives sat down and made an assessment of the strengths of the community. They found a rapidly-growing, dynamic community of high-technology companies that, in home businesses, small offices and abandoned shops, were developing futuristic communications equipment, home computers and video systems.

Today, this industry employs about 25,000 people and is the region's second-largest employer. Only the government, with close to 100,000 employees, puts more into the local economy, but the region's economic experts are betting that the high-technology side

will show the growth that government once provided in the 1960s and 1970s, before fiscal restraint came into vogue.

The thought of Ottawa as an industrial city is hard for many Canadians to grasp. Queen Victoria chose the site to be the capital of the country in 1858. It was a logging town, much looked down upon by the politicians who were going to have to live there. Ottawa spent the next hundred years trying to live down its reputation as a commercial, industrial and cultural backwater where bureaucrats lived a complacent and comfortable existence.

All that changed. The federal government spent hundreds of millions of dollars building a concert and theater center, parks, ski areas and bicycle paths. This comfortable style of living without smokestacks and the rest of the clutter of an older industrial area attracted the high-living, high-tech entrepreneurs.

"We like it not being too big. It's easy to get about, and the nightlife is closer to that of a big center. People like living here," said Terry Matthews, chairman of Mital, one of the best known of the high-technology companies in the Ottawa region.

The start of Mital is typical of many other such companies. Its founders were both working for larger

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Province Aims at French Trade; Upgrades, Expands Paris Mission

By Ann Duncan

PARIS — For more than a century, the Ontario government has concentrated its efforts in Europe on London, leaving France the prerogative of Quebec. In the 1970s, Ontario made its first tentative foray into France, setting up a tiny trade mission in Paris. But almost a year ago, in a policy shift, the Ontario government hired one of Canada's top stars in television journalism, Adrienne Clarkson, and sent her to upgrade and to expand the province's office in Paris.

Ms. Clarkson moved the office to larger, plush headquarters on the rue du Faubourg St. Honoré, bolstered the staff from five to 12 and made arrangements for Premier William Davis' trip to Paris last year. It was the first official visit by an Ontario premier to France in 27 years.

The cynical interpretation of Ontario's new-found interest in France was that the province, encouraged by Ottawa, wanted to provide a counterbalance to Quebec's active, sizable and effective presence in Paris.

Patrick Laville, Ms. Clarkson's predecessor in France, had said the Canadian Embassy was so busy competing with the Quebec delegation that federal officials did not get around to projecting the other provinces.

Ms. Clarkson and her staff, however, dismiss such suggestions. "We're not here for political reasons," she said. "We're here to do business."

"What happened was," Ms. Clarkson continued, "for years Ontario simply let Quebec have the whole scene because basically it thought, 'Well, that's something Quebec has historic emotional ties to. Let them do it. We'll run everything out of London.' But over the last five or six years, Ontario realized that maybe we were being cut out of some action."

Ontario, once discouraged by the distinctly pro-Quebec slant of Gaullist politics, realized that the French did not always put their money where their emotional ties were, said Richard McCrae, Ontario's new top trade and commercial official in Paris.

With more than 500,000 Ontarians — 11.4 percent of the work force — unemployed (on a seasonally adjusted basis) in March, the action that the Ontario office is looking for is increased exports to France and increased French investment in the province, once the booming industrial heartland of Canada.

Ontario believes that roughly one job would be created with each additional \$25 million in exports from or investments in the province.

In 1981, Ontario exported \$2.355 billion worth of goods to France. In a typical Canadian

pattern, all but \$20 million of those goods were raw or semi-finished materials, namely pulp and paper, minerals and agricultural products. There had been no significant increase over the 1980 exports to France.

But during the last six months of 1982, the period when the Ontario delegation in Paris was being expanded, Ontario sold an extra \$2.8 million worth of goods to France and the office claims direct credit for the increase. "Those were sales we virtually put together," Mr. McCrae said.

The figure may not seem like much at first glance, but all \$2.8 million worth of additional exports occurred in the manufacturing sector, the area that the Ontario delegation is seeking to boost, Mr. McCrae said. "That's where the jobs are," he said. The increase also occurred at a time when overall Canadian exports to France had dropped for the second consecutive year to a high of almost \$2.1 billion in 1980 to about \$2.3 billion last year.

In addition, the Ontario delegation said it helped cultivate what will amount to an additional \$2.3 billion in French investments in the province if all the investment proposals are approved by the Federal Investment Review Agency. The proposals call for the building of a hotel in Hamilton by the Novotel group to the construction of a petrochemical components plant in Saint-John's, Nfld.

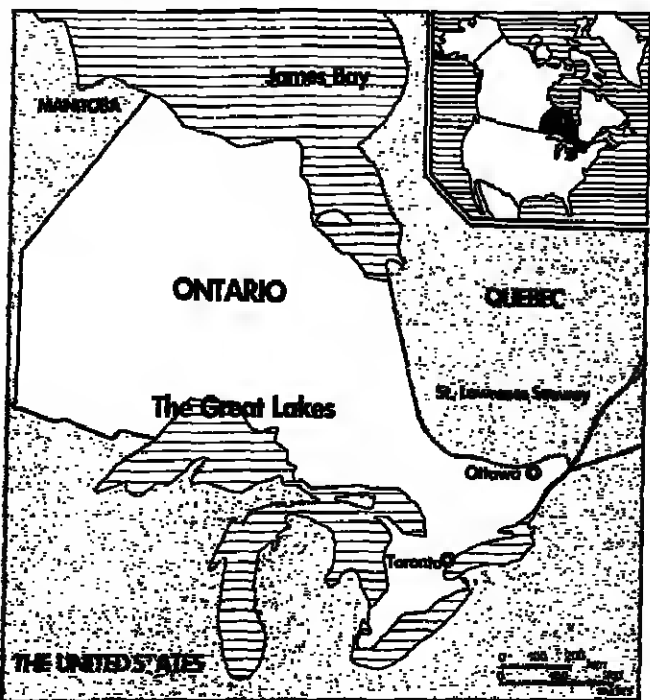
No precise foreign investment figures are kept in Canada on a provincial basis. "But our understanding is that \$2.3 billion capital investment is an enormous jump," Mr. McCrae said.

Besides business, the Ontario delegation, under its newly broadened mandate, also has been trying to build up tourism, strengthen cultural links with France and promote educational exchanges. With some of the initial leg-work having been done in France, the Ontario office is beginning to turn its attention to strengthening trade and other ties with Italy and Spain, while a new Ontario office in Brussels has been doing similar work with Belgium and at the headquarters of the European Community.

What are the main difficulties in attempting to boost the sales of Ontario goods in Europe? Mr. McCrae cited the worldwide economic downturn, an unfavorable rate of exchange for the Canadian dollar against the French and Belgian francs, the lire, the pound and other European currencies, high transportation costs and European Community tariffs that place non-Community goods at a disadvantage.

As a result, the Ontario products that are likely

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ONTARIO

Climate, Poor Prices and High Costs Hurt Farmers

By Debra Black

DUNNVILLE — This year is shaping up to be a critical one for Max Ricker and thousands of other Ontario farmers, following last year's bout of poor prices, rising production costs and erratic interest rates.

Ricker, a corn and soybean farmer with a 1,300-acre spread 16 kilometers from the north shore of Lake Erie, suffered substantial losses last year. He was not alone. Ontario corn producers had one of the worst years in recent memory. Prices plunged to a recent low of \$2.20 a bushel. The Ontario Canadian climate added to the corn farmers' woes as frost, rain and drought all hit the crop during the growing season.

"If I have another year like last year," Mr. Ricker, whose family has farmed in this area since 1834, said in an interview, "you'll be seeing me sell land, even if I have to give it away."

Such sentiments are being heard increasingly throughout Ontario, one of Canada's most diverse and important food-producing provinces. Ontario's farm sector contributed \$2.28 billion of Canada's total gross domestic product in 1982, the most recent year for which figures are available. Ontario's farm cash receipts, which totaled \$2.485 billion in 1982, down marginally from 1981, accounted for about 26 percent of the total farm gate sales in Canada.

The province's leading commodity is beef, which brought in \$2.11 billion in farm cash receipts in 1982, about 23 percent of the Ontario total. Dairy goods and pork follow close behind with 19.7 percent and 13.6 percent respectively. Other commodities include

corn and soybeans (8.11 percent), fruits and vegetables (6.5 percent), tobacco (7.2 percent) and poultry and eggs (8.4 percent).

Farmers and industry observers agree 1983 will be a make-or-break year for many farmers. Despite lower interest rates and some easing of Canada's inflation rate, the Ontario Federation of Agriculture estimates that between 5,000 and 8,000 farmers are still in "financial trouble." While realized net farm income is expected to be up somewhat over last year, provincial farm economists concede that the Ontario farm sector "isn't out of the woods yet."

Indeed, many of Ontario's estimated 50,000 commercial farmers continue to feel the effects of the recession.

During the first quarter of 1983, Ontario's farmers had the dubious honor of leading all Canadian farmers in bankruptcies, with 47 out of 115. Last year, 176 of Canada's 410 farm bankruptcies occurred in Ontario. While the 1982 figures are not yet tabulated for farm debt, Ontario's farmers carried \$2.4614 billion in farm debt in 1981, about a quarter of the Canadian total.

Realized net farm income for the province was \$2.4743 billion last year, down 12 percent from 1981, according to preliminary Canadian government figures. Much of that decrease was due to high operating costs and weather damage to some crops, in particular corn, wheat and tobacco.

The plight of Ontario farmers has brought with it a grab-bag of solutions from both the provincial and federal governments. The province has offered reduced interest rates and deferred payments on loans to farmers and last month promised a program of special aid to young and beginning farmers.

At the federal level, the Canadian government pledged in its April 9 budget to put \$200 million worth of additional funds into the Farm Credit Corporation, which lends money to farmers at reduced rates, and increased the time limit for carrying over tax losses.

For many Ontario farmers, however, the government aid, while welcome, is not nearly enough. About 3,000 provincial farmers have joined the Ontario-based Canadian Farmers Survival Association, a group devoted to preventing farm bankruptcies and foreclosures through cheaper credit and higher commodity prices.

The militant group was successful in achieving at least one of its goals. A six-day hunger strike by its president, Allen Wilford, a Tara, Ontario, farmer, forced the federal government to give second reading to legislation that will allow the courts to act as an arbitrator in any farm bankruptcy dispute between farmers and the banks.

The more moderate OFA recently set up a special committee, offering financial advice to farmers facing bankruptcy. But even OFA president, Ralph Barrie, admits that other than giving these financially plagued Ontario farmers "month-to-month resuscitation," there is not much that can be done for them.

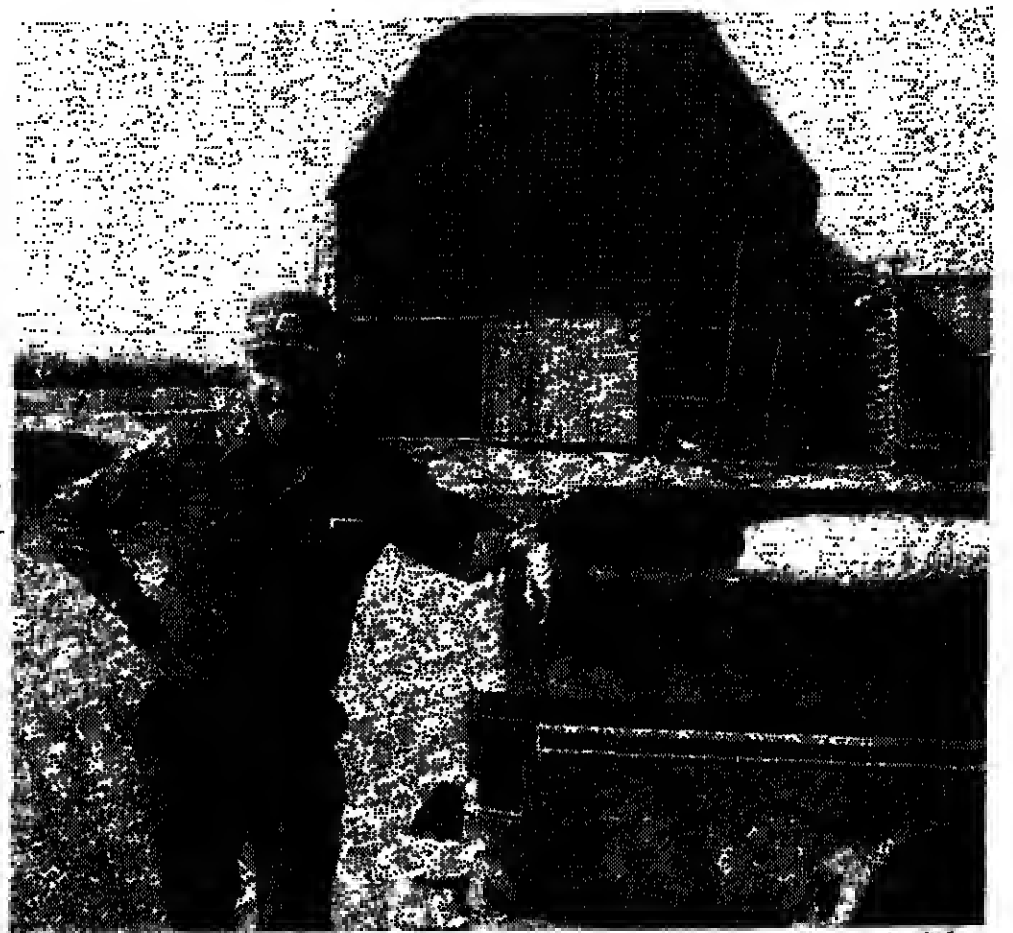
Meanwhile, Ontario farmers are keeping their fingers crossed for the coming year. Commodity prices appear to be holding their own so far this year, with some increases in the corn and soybean sector because of the American Payment in Kind program, known as PIK, which is encouraging U.S. farmers not to plant because of a worldwide

surplus. Corn prices currently average \$2.125 per metric ton, up from last year's low of about \$2.00. Beef prices, which have been depressed since 1980, are expected to at least remain stable, according to a province spokesman. This could be interpreted as a "promising" sign for beef producers, who were among the hardest hit of all farmers in the province, he said. The province's pork producers, second to Quebec in total output, still are getting fairly strong prices for their animals. But hog producers are watching the market closely as they expect prices to drop severely at the end of the year because of an influx of U.S. hogs.

The province's fruit and vegetable growers, who lead the country's production, are cautiously counting on an improved year. Hail caused substantial damage to some vegetable crops in 1982, while harsh winter conditions hurt many Niagara Peninsula fruit growers during the previous year. But for the meantime, one economist said, "everyone is holding his breath."

The outlook is less cheery for tobacco, all of which is grown in Ontario. Producers, who suffered heavy frost damage last year, face quota cutbacks this year caused by a glut of inexpensive tobacco on the export market and a leveling off of worldwide consumption.

If there is a bright spot in the Ontario farm picture, it is for wheat growers, who expect to produce 800,000 metric tons in 1983, their best year since 1977. But even that forecast is dependent on increasing the allowed levels of wheat, a fungus that makes livestock sick, to a par with that in the United States.



Max Ricker, who grows corn and soybeans, is one of many farmers in Ontario who had substantial losses last year. The province is one of Canada's most important and diverse food-producing regions. The leading commodity is beef, followed by dairy goods and by pork.

Province Aims at French Trade

(Continued from Preceding Page)

to overcome such hurdles are competitively priced, technologically advanced products of high quality, he said.

Federal and Quebec commercial officials in Paris and various provincial trade officials in London echoed Mr. McCrae's analysis, but said that each province had different specialized products that could be attractive to the European market.

"Frankly, I don't see many problems," Mr. McCrae said about increasing Ontario exports to Europe. "I think the fact of the matter is that we have not been very aggressive up until now. We're just beginning and I think it's like when you start anything new, you find all sorts of opportunities."

In an effort to maximize any potential advantages for Canada, Quebec, Ontario and federal trade and immigration officials in Paris meet from time to time in attempts to coordinate their efforts.

"Each province offers something different in terms of exports, so Quebec and Ontario don't have too much cause to cooperate, but we do if the situation presents itself," said Jean-Marc Lajoie, Quebec's chief economic officer in Paris.

Although Mr. Clark said the Ontario office in France is to do business, not to play politics, a

thorny political question over her job title remains unresolved.

Her predecessor, Mr. Lavelle, was called an agent-general in both French and English. But Ms. Clark is referred to on her passport and her calling card in French as Déléguée Générale, a title that also is used by Quebec's top man in Paris, Yves Michand.

Ontario thought the new title fitting for the expanded responsibilities of its Paris office. But the Quebec Office, despite a number of discussions with the Canadian Embassy during the last year about Ms. Clark's title, has not yet officially ruled on the matter.

Ms. Clark calls a flurry of publicity in Canada about the issue a "terrapin in a teapot," while Jacques Bilodeau, an embassy spokesman, said that the matter is not taking an unusually long time to resolve. But it is unlikely that Canada would accept anything less than equal treatment by the French for the two offices.

"This is just a personal opinion," Mr. McCrae said, "but it would seem difficult for the government of Canada to admit that another sovereign state treats its internal provinces in differing ways."

Industry: Hopes Are Pinned to Current Easing of Recession

TORONTO — Ontario, long dependent on steel, autos, mining and other heavy industries for its prosperity, is now confronting an uncertain future amid a severe recession and shifting business conditions.

The province still dominates Canada's industrial scene, accounting for 54 percent of all manufactured goods and boasting an annual gross provincial product of \$24.124 billion.

After a disastrous year in 1982, the current easing of Canada's worst recession in five decades will improve conditions for manufacturers. But economists say the major industries here, as in the United States and Europe, are caught up in a period of transition that will require wrenching and costly long-term alterations in factories, products and the work force.

There will have to be some serious adjustments in the basic industries in the province, said Thomas Courchesne, an economist at the University of Western Ontario in London. He said current problems with the province's traditional industries are not just cyclical but stem also from the increasing transfer of manufacturing to cheaper, more competitive non-Western nations. Proof of the dwindling strength of the province's key industries has been building for a decade.

Since 1970, Ontario's share of world trade slipped to 1.48 percent from 2.3 percent.

Last year, at the height of the recession, layoffs in steel, autos and other big industries contributed to a job-loss total of more than 100,000 among a work force of 4 million. Among the worst hit was Ontario's lynchpin business, the auto industry, which is centered in the province and alone employs nearly 4 percent of Ontario's workers.

With Japanese and European imports taking a greater share of a shrinking Canadian market, the Canadian subsidiaries of the U.S. Big Four have suffered severe losses. Because of a return of large-car buying in the United States brought on by cheaper gasoline, the short-term outlook is slowly improving in this industry.

Last year, the surge in big-car sales to the American market provided Canada with a \$2.9-billion surplus in vehicle sales under the Canada-U.S. automotive free-trade pact. That record compared with a \$2.1-billion deficit in the previous year. And the Big Four say the positive sales trend appears to be continuing in 1983, although economists caution that Canada, ironically after years of demanding that its U.S. subsidiaries be given more small-car production, may be

increasingly unable to take advantage of the big-car boom.

Faced with a grim long-range outlook, the Canadian auto industry has been forced to undertake a major restructuring. But the effort, which is concentrating on trimming manufacturing costs while improving productivity and quality, remains several years from completion. The recession, depressed world markets, cancellation of planned major energy projects in Canada and encroaching imports have led to heavy losses in other key industries, including steel, mining, forestry, pulp and paper and farm machinery. Massey-Ferguson Ltd. of Toronto, the 135-year-old farm equipment maker, continues to struggle to survive. The company, which has lost more than \$2.1 billion since 1978 because of falling worldwide sales resulting from low commodity prices, recently completed a refinancing agreement with its worldwide lenders that will save it \$1.5 billion. But the company will be lucky to break even this year.

The province's chemical industries, after healthy growth of 59 percent in the 1970s, are in for a rougher time in future as western Canadian companies, working with cheaper

feedstocks, increase their share of the Canadian market. Economists predict lower growth for manufacturers generally in the 1981-91 period. Broadly speaking, the province is feeling the adverse effects of an industrial structure weakened by over-reliance on the automobile industry, inadequate spending on research and development and lagging productivity. Moreover, the lower tariffs being phased in as a result of Canada's participation in the General Agreement on Tariffs and Trade talks that ended in Geneva in 1979 will expose Ontario's industries to further import competition.

In short, while the province's abundant resources, skilled labor and proximity to large markets provide a basis for lasting economic strength, the Progressive Conservative government of Ontario will oversee the partial rebuilding of the industrial sector in the 1980s and 1990s. The trick will be to realize which sectors are in long-term decline, said John Higgins, of the Conference Board in Canada research group in Ottawa. Otherwise, Ontario will "end up 10 years from now with badly outdated industries."

—LES WHITTINGTON

Price Slump Hits Mining Industry

TORONTO — The Canadian shield is a ring of rocks and lakes formed like a giant U around Hudson's Bay when the glaciers retreated in the last Ice Age. The temperatures in much of the land it covers still seem glacial for all but a few months of the year, but the rocks left behind contain a hoard of mineral wealth.

A great part of the Canadian shield is what makes up northern Ontario, and the province produces about 45 percent of all minerals in Canada, excluding coal and oil. But the value of the production has been falling.

In 1980, Ontario produced \$2.464 billion worth of minerals, in 1981 \$2.415 billion, but by 1982 the figure had dropped to \$2.317 billion. Those figures meant a bleak year for cities such as Sudbury in northern Ontario, mining headquarters of companies such as International Nickel (Inco) and Falconbridge and a town whose fortunes match the ups and downs of mineral prices.

The slump left Ontario mining companies with staggering losses and for much of last year left Ont-

ario miners with little to five on but unemployment insurance.

The biggest employer in Sudbury, Inco, Canada's largest mining company, has lost \$2.674 million in the last two years. It is a bleak picture, but one that will improve with the expected upturn in the North American economy.

When the United States and the rest of the world are not buying cars, there is little need for the nickel and copper mined in northern Ontario.

Sudbury has the largest nickel deposit in the world, created when a meteorite smashed into the earth here millions of years ago. The company produces almost 12 percent of the world nickel supply from here, when the mine is open. Inco is also Canada's largest copper producer, with a mine at nearby Coppercliff.

Coppercliff and Sudbury are bleak places, surrounded by barren rocky landscape and miles of black slag heaps, which are put through sifters to extract the last bit of value. The huge Inco smokestacks belch out sulfur, creating so much of the acid rain Canadians love to blame on Americans. The land-

scape is so bleak that when the American astronauts wanted a spot to test drive their moon vehicle, they came to the Sudbury basin.

As a major copper producer, Inco pulls out a ton of copper for every ton of nickel, but Inco was paid \$2.71 a pound for nickel in 1982, against \$2.07 cents a pound for copper. Nickel prices in 1981 were \$3.10 a pound, while copper prices were \$2.08 cents a pound.

Inco's operations in Sudbury and Coppercliff have been shut down since last summer. In April, 11,000 miners returned to work. The company said there has been some increase in demand for its metals. It also needs to rebuild the stockpiles of some of the metals it produces. At Sudbury, in addition to copper and nickel, Inco also produces cobalt, lead, platinum and silver. The company usually uses the profits from the precious metals to carry it over the rough spots in nickel and copper markets. In this past slump, that did not work.

Gold is the bright spot in Canadian mining. A major new gold discovery at Hemlo in northern Ontario is expected to be in produc-

CONTRIBUTORS

ANN DUNCAN is a Paris-based journalist. DEBRA BLACK, LES WHITTINGTON and FRED LANGAN are journalists based in Toronto. ANNE GREGOR is an Ottawa-based journalist. KEN MACQUEEN is on the staff of the Canadian Press Ottawa bureau.

tion within two years and by the end of this decade gold output in Canada could rise from 1.8 million ounces a year to about 3 million ounces a year.

In addition to being the leading gold and nickel producer, Ontario has about 61 percent of Canada's uranium, all of its platinum and 25 percent of the country's silver.

Metals analysts feel that the earnings of the mining industry will improve this year, though at a slower rate than the companies would hope for. Some feel that Ontario's mining industry may not return to an overall profit position until the beginning of 1984.

—FRED LANGAN

High Tech Becomes Ottawa's 2d-Largest Employer

(Continued from Preceding Page)

The government's National Research Council and the Atomic Energy of Canada Ltd. worked to develop nuclear research and nuclear reactors. Then in the 1950s, several computer companies set up offices to help government move into the computer age. These companies, such as IBM Canada, hired and trained many of the people who today are running their own companies, designing computer software such as color-coding for satellite photographs, laser equipment and programs that send out information on television screens using unused lines on the picture frame.

Bell Northern Research is one of the stalwarts of the high-technology companies in Ottawa. It built its first research and development laboratories more than 20 years ago, and since then, the company, partly owned by Bell Canada and Northern Telecom, expanded to the point that it is now building a new multimillion-dollar facility to house most of its 2,500 employees.

"Bell Northern Research came to Ottawa because there was a reasonable scientific library, education facilities and because it was close to both the large markets of Ontario and Quebec," said John Elliot, Bell Northern's vice-president of corporate development.

The market proximity still is a factor for many companies that establish themselves in Ottawa. Quebec and Ontario are the largest markets in Canada, but some companies decided to leave Quebec because of recent changes in the

province. Although municipal authorities do not want to talk about it, the digital region is benefited by Quebec companies relocating.

To bureaucratic Ottawa, the sudden attention and publicity surrounding high-technology companies is a source of fascination and financial benefit. At a time when the rest of the country's economy is hurting, Ottawa stands out as an island of prosperity. House prices did not drop, bankruptcies are lower than elsewhere and the earnings and goings of flashy entrepreneurs make for great gossip at Ottawa dinner parties. Stockbrokers say that they have no trouble selling shares in high-tech local firms to members of the Ottawa public who want to take a flier on one of these high-profile local companies. The fact that these companies are Canadian-owned is an added attraction to many of these investors who favor home-grown industry.

The government's established research bodies also benefit from the excitement and publicity. The National Research Council supervised the development and manufacturing of Canada's arm used in the American space shuttle program to launch satellites into space from the shuttle's cargo bay. Another government development, the Telenet system of teletext transmission of information, such as weather reports, statistics and graphics through the television system, is licensed to several local manufacturers. This Telenet standard was approved for the U.S. market last year and companies are

moving quickly to obtain public acceptance.

Even the provincial government of Ontario moved into the high-technology business in the last year.

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But there are many other fundamental reasons why Ontario is one of North America's highest potential growth areas.

Our location is ideal. We are in the very hub of the heavily industrialized northeast sector of the continent: less than one day's trucking from the bulk of North America's industrial market.

Our labour force, both skilled and unskilled, is one of the finest on the continent. We have abundant natural resources, including extensive deposits of nickel, zinc, uranium, copper and iron. Our energy resources are secure and competitively priced. Our industrial elec-

tricity rates are lower on average than British, European, and U.S. rates.

From a strictly dollars and cents point of view, Ontario has a great deal to offer too. An attractively priced Canadian dollar, a highly efficient and mobilized construction industry, that can set up your plant as quickly and professionally as any in North America, more than 30,000 acres of fully serviced industrial land, extensive transportation and communication links, a competitive tax environment, top-ranked research and development facilities and one of the most sophisticated international banking systems in the world.

Add to this, the benefits of living in one of the most beautiful places and enjoying one of the highest standards of living in the world, and you can easily see that Ontario adds up to quite a package.

To find out the entire story contact Ontario's representative in those cities listed below.



LET'S DO BUSINESS

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Ontario
Honourable William G. Davis, Premier of Ontario

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Telex: 41-61676 ONTRA

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Telex: 51-282517 ONTLEN

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France
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Telex: 42-85085F ONTPAR

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Minato-ku, Tokyo 106, Japan
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Telex: 72-2745 ONTTOK

Ontario House
Rue Royale 97-99
Brussels
Belgium
Telephone: 011-32-2-218-0600
Telex: 46-63559

International Bond Prices — Week of May 19

Provided by White Weld Securities, London, Tel.: 623 1277; a Division of Financiere Credit Suisse - First Boston

RECENT ISSUES

Am	Security	Yld	Price	Yld	Price
		%		%	
150	South Africa 1983	15 1/2	100	15 1/2	100
151	South Africa 1984	15 1/2	100	15 1/2	100
152	South Africa 1985	15 1/2	100	15 1/2	100
153	South Africa 1986	15 1/2	100	15 1/2	100
154	South Africa 1987	15 1/2	100	15 1/2	100
155	South Africa 1988	15 1/2	100	15 1/2	100
156	South Africa 1989	15 1/2	100	15 1/2	100
157	South Africa 1990	15 1/2	100	15 1/2	100
158	South Africa 1991	15 1/2	100	15 1/2	100
159	South Africa 1992	15 1/2	100	15 1/2	100
160	South Africa 1993	15 1/2	100	15 1/2	100

Am	Security	Yld	Price	Yld	Price
		%		%	
161	South Africa 1983	15 1/2	100	15 1/2	100
162	South Africa 1984	15 1/2	100	15 1/2	100
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164	South Africa 1986	15 1/2	100	15 1/2	100
165	South Africa 1987	15 1/2	100	15 1/2	100
166	South Africa 1988	15 1/2	100	15 1/2	100
167	South Africa 1989	15 1/2	100	15 1/2	100
168	South Africa 1990	15 1/2	100	15 1/2	100
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171	South Africa 1983	15 1/2	100	15 1/2	100
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174	South Africa 1986	15 1/2	100	15 1/2	100
175	South Africa 1987	15 1/2	100	15 1/2	100
176	South Africa 1988	15 1/2	100	15 1/2	100
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180	South Africa 1992	15 1/2	100	15 1/2	100

Am	Security	Yld	Price	Yld	Price
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181	South Africa 1983	15 1/2	100	15 1/2	100
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184	South Africa 1986	15 1/2	100	15 1/2	100
185	South Africa 1987	15 1/2	100	15 1/2	100
186	South Africa 1988	15 1/2	100	15 1/2	100
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190	South Africa 1992	15 1/2	100	15 1/2	100

Am	Security	Yld	Price	Yld	Price
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191	South Africa 1983	15 1/2	100	15 1/2	100
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194	South Africa 1986	15 1/2	100	15 1/2	100
195	South Africa 1987	15 1/2	100	15 1/2	100
196	South Africa 1988	15 1/2	100	15 1/2	100
197	South Africa 1989	15 1/2	100	15 1/2	100
198	South Africa 1990	15 1/2	100	15 1/2	100
199	South Africa 1991	15 1/2	100	15 1/2	100
200	South Africa 1992	15 1/2	100	15 1/2	100

Am	Security	Yld	Price	Yld	Price
		%		%	
201	South Africa 1983	15 1/2	100	15 1/2	100
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204	South Africa 1986	15 1/2	100	15 1/2	100
205	South Africa 1987	15 1/2	100	15 1/2	100
206	South Africa 1988	15 1/2	100	15 1/2	100
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208	South Africa 1990	15 1/2	100	15 1/2	100
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210	South Africa 1992	15 1/2	100	15 1/2	100

Am	Security	Yld	Price	Yld	Price
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211	South Africa 1983	15 1/2	100	15 1/2	100
212	South Africa 1984	15 1/2	100	15 1/2	100
213	South Africa 1985	15 1/2	100	15 1/2	100
214	South Africa 1986	15 1/2	100	15 1/2	100
215	South Africa 1987	15 1/2	100	15 1/2	100
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218	South Africa 1990	15 1/2	100	15 1/2	100
219	South Africa 1991	15 1/2	100	15 1/2	100
220	South Africa 1992	15 1/2	100	15 1/2	100

STRAIGHT BONDS

All Currencies Except DM

Am	Security	Yld	Price	Yld	Price
		%		%	
221	South Africa 1983	15 1/2	100	15 1/2	100
222	South Africa 1984	15 1/2	100	15 1/2	100
223	South Africa 1985	15 1/2	100	15 1/2	100
224	South Africa 1986	15 1/2	100	15 1/2	100
225	South Africa 1987	15 1/2	100	15 1/2	100
226	South Africa 1988	15 1/2	100	15 1/2	100
227	South Africa 1989	15 1/2	100	15 1/2	100
228	South Africa 1990	15 1/2	100	15 1/2	100
229	South Africa 1991	15 1/2	100	15 1/2	100
230	South Africa 1992	15 1/2	100	15 1/2	100

Am	Security	Yld	Price	Yld	Price
		%		%	
231	South Africa 1983	15 1/2	100	15 1/2	100
232	South Africa 1984	15 1/2	100	15 1/2	100
233	South Africa 1985	15 1/2	100	15 1/2	100
234	South Africa 1986	15 1/2	100	15 1/2	100
235	South Africa 1987	15 1/2	100	15 1/2	100
236	South Africa 1988	15 1/2	100	15 1/2	100
237	South Africa 1989	15 1/2	100	15 1/2	100
238	South Africa 1990	15 1/2	100	15 1/2	100
239	South Africa 1991	15 1/2	100	15 1/2	100
240	South Africa 1992	15 1/2	100	15 1/2	100

Am	Security	Yld	Price	Yld	Price
		%		%	
241	South Africa 1983	15 1/2	100	15 1/2	100
242	South Africa 1984	15 1/2	100	15 1/2	100
243	South Africa 1985	15 1/2	100	15 1/2	100
244	South Africa 1986	15 1/2	100	15 1/2	100
245	South Africa 1987	15 1/2	100	15 1/2	100
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247	South Africa 1989	15 1/2	100	15 1/2	100
248	South Africa 1990	15 1/2	100	15 1/2	100
249	South Africa 1991	15 1/2	100	15 1/2	100
250	South Africa 1992	15 1/2	100	15 1/2	100

Am	Security	Yld	Price	Yld	Price
		%		%	
251	South Africa 1983	15 1/2	100	15 1/2	100
252	South Africa 1984	15 1/2	100	15 1/2	100
253	South Africa 1985	15 1/2	100	15 1/2	100
254	South Africa 1986	15 1/2	100	15 1/2	100
255	South Africa 1987	15 1/2	100	15 1/2	100
256	South Africa 1988	15 1/2	100	15 1/2	100
257	South Africa 1989	15 1/2	100	15 1/2	100
258	South Africa 1990	15 1/2	100	15 1/2	100
259	South Africa 1991	15 1/2	100	15 1/2	100
260	South Africa 1992	15 1/2	100	15 1/2	100

Am	Security	Yld	Price	Yld	Price
		%		%	
261	South Africa 1983	15 1/2	100	15 1/2	100
262	South Africa 1984	15 1/2	100	15 1/2	100
263	South Africa 1985	15 1/2	100	15 1/2	100
264	South Africa 1986	15 1/2	100	15 1/2	100
265	South Africa 1987	15 1/2	100	15 1/2	100
266	South Africa 1988	15 1/2	100	15 1/2	100
267	South Africa 1989	15 1/2	100	15 1/2	100
268	South Africa 1990	15 1/2	100	15 1/2	100
269	South Africa 1991	15 1/2	100	15 1/2	100
270	South Africa 1992	15 1/2	100	15 1/2	100

Am	Security	Yld	Price	Yld	Price
		%		%	
271	South Africa 1983	15 1/2	100	15 1/2	100
272	South Africa 1984	15 1/2	100	15 1/2	100
273	South Africa 1985	15 1/2	100	15 1/2	100
274	South Africa 1986	15 1/2	100	15 1/2	100
275	South Africa 1987	15 1/2	100	15 1/2	100
276	South Africa 1988	15 1/2	100	15 1/2	100
277	South Africa 1989	15 1/2	100	15 1/2	100
278	South Africa 1990	15 1/2	100	15 1/2	100
279	South Africa 1991	15 1/2	100	15 1/2	100
280	South Africa 1992	15 1/2	100	15 1/2	100

Am	Security	Yld	Price	Yld	Price
		%		%	
281	South Africa 1983	15 1/2	100	15 1/2	100
282	South Africa 1984	15 1/2	100	15 1/2	100
283	South Africa 1985	15 1/2	100	15 1/2	100
284	South Africa 1986	15 1/2	100	15 1/2	100
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288	South Africa 1990	15 1/2	100	15 1/2	100
289	South Africa 1991	15 1/2	100	15 1/2	100
290	South Africa 1992	15 1/2	100	15 1/2	100



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Germany	D.M. 400	200	110
Greece	Gr. 10,000	5,000	2,950
Ireland	Ir. 90	45	25
Italy	Lire 195,000	97,500	52,700
Luxembourg	L.Fr. 6,400	3,300	1,815
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Norway	N.Kr. 1,160		

Herald Tribune BUSINESS/FINANCE

MONDAY, MAY 23, 1983

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EUROBONDS

By CARL GEWIRTZ

Big Increase in Money Supply In U.S. Is Bad News for Market

PARIS — An unexpectedly large \$7-billion increase in the U.S. money supply reported late Friday erased whatever illusions still existed about an imminent cut in U.S. interest rates.

Three-month Treasury bills rose in New York Friday to 8.41 from 8.16 percent Thursday, putting the rate 0.44 points above the low set in last month's credit market rally.

The cost of overnight money, the Fed funds rate, after holding steady most of Friday, rose 1/4 point in late trading to 8 1/2 percent, still below Thursday's level of 8 1/4 percent.

The dollar, meanwhile, closed in New York at a six-month high against the Deutsche mark of 2.4855, compared with 2.4770 Thursday.

With a hefty \$33 billion scheduled to be raised by the Treasury before the end of June, the question dividing analysts now is whether the increase in interest rates can be contained to current levels or whether the Federal Reserve will be driven to push them up.

All this is bad news for the Eurobond market, where the price of dollar bonds last week held much firmer than in New York. Analysts attributed this break in pattern to Eurobond dealers squaring their books in preparation for a week of truncated trading.

Continental markets will be closed Monday for a holiday and activity will be sharply curtailed Thursday and Friday as traders attend the annual meeting of the Association of International Bond Dealers at The Hague.

This means Eurobond prices now have to fall substantially to catch up with New York.

The new-issue calendar last week was enlivened with two equity-linked offerings, viewed as a welcome relief from the flood of bank paper that has engorged the market.

Standard, the Swiss pharmaceutical company, will be selling up to \$60 million worth of 12 1/2-year convertible bonds convertible into the company's shares at a premium of about 10 percent over the existing price when terms are set Thursday.

Once this price is set, managers will establish the face value of each bond, which accounts for the imprecision of the size of the bond issue.

The coupon has been indicated at 5 to 5 1/2 percent. However, with the bonds already trading on a when-issued basis at a premium of 2 percent, the coupon will certainly be set at the lower end of the range.

Eurobond Yields

For Week Ended May 18	
10% inst. in term U.S.	11.48 %
10% inst. in term U.S.	12.17 %
10% inst. in term U.S.	11.50 %
10% inst. in term U.S.	12.98 %
10% inst. in term U.S.	14.02 %
10% inst. in term U.S.	7.74 %
10% inst. in term U.S.	12.44 %
10% inst. in term U.S.	10.35 %
10% inst. in term U.S.	10.49 %
10% inst. in term U.S.	10.33 %

Market Turnover

For Week Ended May 20	
U.S. (millions of U.S. dollars)	
Total	10,977.40
Foreign	13,431.50

Baldrige Sets Talks In China

BEIJING — U.S. Commerce Secretary Malcolm Baldrige was to start sensitive talks Monday in Beijing on textile trade, military-related technology transfers and other economic issues troubling U.S.-Chinese relations.

Transfers of advanced technology are the biggest irritant to overall relations after continued U.S. arms sales to Taiwan. U.S. restrictions have held up sales of certain equipment, including computers, that may have military applications.

Among the projects affected is a ground station near Beijing that would receive agricultural and geological data from a Landsat satellite.

In January, China announced the purchase of an \$11-million station from Systems & Applied Sciences Corp. of Maryland.

Another concern is textile trade. Negotiations for a new agreement broke down in January and Washington imposed unilateral quotas on Chinese textile imports. Beijing retaliated with a purchase freeze on U.S. cotton, soybeans and chemical fibers.

At a welcoming banquet Sunday, Chen Muhua, minister of foreign economic relations and trade, said China "basically must rely on its own strength to modernize but will 'unswervingly' pursue an open door policy."

"Similarly, there is also great potential for the development of Chinese-U.S. economic relations and trade and technical cooperation," Mrs. Chen said. "However, this potential cannot be fully tapped with only good will but in the actions of actual deeds."

Mr. Baldrige conveyed President Ronald Reagan's personal wishes for successful talks and said the relations of China and the United States should be expanded.

"There is much we can do together," he said in his toast. "I think the time is right now to begin that cooperative effort."

The Chinese trade minister did not identify the economic issues. She said there has been progress in developing bilateral economic and trade relations and technical cooperation but it "has not been smooth sailing."

"There still exists many obstacles that we should take courage in making efforts to overcome," Mrs. Chen said.

U.S.-China trade totaled \$52 billion last year, a 5.5 percent drop from 1981. It reached \$12 billion in the first quarter this year, a 17 percent drop from the same period in 1982.

Sales of U.S. manufactured goods to China have increased this year but agricultural sales have plummeted, resulting in a U.S. first quarter trade surplus of \$134.3 million, a 61.5 percent drop.

Comparing the Latest in Portable Computers

	Price	Weight	Display Size	Microprocessor	Internal Memory
Amstrad 100-20	\$ 795	4 lbs.	4 lines x 20 char.	8 bit	16 k
Gavilan	\$3,695	4 lbs.	5 lines x 80 char.	16 bit	80 k
Sharp PC 6000	\$2,500	17 lbs.	5 lines x 80 char.	16 bit	128 k
Tandy 100	\$ 795	4 lbs.	5 lines x 40 char.	8 bit	8 k

The Gavilan portable computer is battery-powered and is small enough to be carried in a briefcase.

Rapid Pace of Innovation Makes Portable Computer Market Risky

By Andrew Pollack

New York Times Service

ANAHEIM, California — Manny A. Fernandez beamed with delight as the crowds gathered in his company's booth at the National Computer Conference here. For an unknown company that was not even listed in the exhibit guide, the Gavilan Computer Corporation was drawing crowds that would have done IBM proud.

"The world wants one," said Mr. Fernandez, president and chief executive of Gavilan, based in Campbell, California. He was referring to the object of all the attention — a computer with a disk drive, printer, internal memory, display screen and software like most other computers have. Only this computer was small enough to be powered by batteries and to fit in a briefcase.

The Gavilan is one of several portable computers that are the highlight of the computer conference here this year.

Made possible by ever-improving technology, the new machines promise to open up new uses for computers. Managers could use such small machines to

keep in touch with their offices while away and salesmen might take them along for use in presentations.

But the portable computer market is growing as a whole it can also be quite risky for individual companies. Technology is advancing rapidly, even by the standards of the fast-changing computer industry. Innovative technology alone does not guarantee success, as others have found.

Only last year two of the hits of the computer conference were also portable computer devices — one made by the Grid Systems Corporation of Mountain View, California, and the other by I/O of Cambridge, Massachusetts. Both companies have failed to live up to expectations.

Analysts say that the Osborne Computer Corporation, which came out with one of the first portables, is suffering and might become a casualty of the increasing competition in a market it helped create.

The new breed of portable computers makes some of the older machines such as the Osborne look immovable by comparison. The Osborne and numerous followers fold into a container about as large as a

(Continued on Page 11, Col. 2)

Fed Policy Shift Called Unlikely

Officials See Little Reason To Ease or Tighten Credit

By John M. Berry

Washington Post Service

WASHINGTON — The Federal Reserve has not changed the settings of its monetary policy dial since last December and is not expected to do so this week when its policy-making group meets, according to Federal Reserve officials.

With the economic recovery looking stronger every day, and with most measures of the money supply within or above their target ranges, there is little immediate reason for the central bank to actively try to reduce interest rates at the moment.

Similarly, there is little pressure to tighten policy, either. Officials at the Fed expect inflation to remain low this year even with a healthy recovery, and the explosive growth of the money supply in the first three months of 1983 has slowed.

The Fed has the luxury of not having to make any policy shifts right now partly because the big increase in U.S. Treasury borrowing in recent months has not, as many analysts feared, produced a surge in interest rates. Rates have not moved upward because business borrowing has gone down and consumer demand has risen only slowly as the Treasury has jumped into the market with both feet.

Commercial and industrial loans at commercial banks were no higher in April than they were last October, while the amount of commercial paper outstanding — an alternative source of short-term business credit — plummeted at a 42.5 percent annual rate between November and February, the latest

month for which figures are available.

Corporations have been borrowing less from banks and through commercial paper for several reasons. Their profits and cash flow are rising with the economic recovery, the stock market surge has allowed them to bring out new stock issues, and lower long-term interest rates have encouraged them to pay

U.S. CREDIT MARKETS

down their short-term credits with the proceeds from new issues of long-term bonds.

Meanwhile, banks and thrift institutions are flush with funds again as a result of the extraordinary shift of money into newly available accounts, including the money market deposit accounts, or MMDAs, which have balances of about \$350 billion. With so many deposits and weak loan demand, commercial banks choose to increase their holdings of Treasury securities by \$30 billion between December and April.

In these circumstances, several members of the Fed's policy-making group, the Federal Open Market Committee, including the Fed vice chairman, Freston Martin, and Governor Nancy Tenebrun, believe long-term interest rates will "drift down" as the year progresses, even if short-term rates stay close to their current levels.

"There is a strong possibility of lower long-term rates," said Mr. Martin, who sees no need to try to push rates downward. "I feel we

(Continued on Page 13, Col. 7)

Scarce Markets Raise Doubt Over Gulf Industrialization

By Paul Lewis

New York Times Service

ATHENS — Ever since the first big run-up in oil prices in 1973, the Gulf oil-producing countries have been trying to bring more profit out of their oil and gas reserves by diversifying into related fields like chemicals and fertilizer or by setting up heavy industries like aluminum and steel, which need abundant cheap energy.

But doubts about the wisdom of trying to industrialize the region pervaded a two-day conference sponsored here earlier this month by Wharton Econometric Forecasting Associates. As Abdullah al-Khalifa of the Bahrain Industry Ministry noted: "Our declared aim is to diversify an oil-based economy. But are we doing the right thing? Is industrialization real, or is it just a gold rush?"

Such doubts seem timely. Saudi Arabia, Qatar and Kuwait have invested heavily in fertilizer plants, while Qatar, Saudi Arabia and Iraq are making basic petrochemicals and planning to turn out more. Bahrain plans a new plant by 1985 while, by then, Saudi Arabia will have another five, including three ethylene units, the largest ethylene-glycol plant in the world and a polyethylene plant using Union Carbide technology.

Despite the heavy investment, Louis Turner of London's Royal Institute of International Affairs told the conference he reckons that the Gulf states will still be producing only 4.5 million tons of petrochemicals a year for export when all the plants come on stream, accounting for about 4 percent of world capacity.

For feedstock, the plants use natural gas that would otherwise be burned off at the wellhead. The usual charge is 50 cents per million British thermal units of energy, equivalent to the \$2-a-barrel oil price prevailing in 1972 before the first oil price shock.

This cheap feedstock, in Mr. Turner's calculation, offsets plant construction costs roughly 30 percent to 40 percent higher in the Gulf than in the West, allowing the industry to remain competitive. "These gas-based industries make economic and developmental sense," he said.

Not everyone agrees. Dow Chemical's unexplained decision

last year to pull out of the new Saudi ethylene complex suggests fears that markets will be scarce. But Mr. Turner argues that the continuing involvement of other Western chemical companies in many Gulf plants will help them dispose of output.

In contrast to petrochemicals, the prospects for other heavy industries in the Gulf are better because output is generally marketed locally, according to Ali Abdul Rahman al-Khalifa, chairman of

(Continued on Page 13, Col. 8)

Markets Closed

Financial markets were to close Monday in Belgium, Canada, Denmark, France, the Netherlands, Norway, Spain, Switzerland and West Germany for a holiday.

CURRENCY RATES

Interbank exchange rates for May 20, excluding bank service charges.

	\$	DM	FF	£	Yen	Sw	Sc	DK
Amsterdam	2.775	4.33	12.28	37.25	1.889	5.628	34.48	34.44
Bremen (to)	49.2	78.25	19.9	6.54	2.525	11.78	28.98	8.972
Frankfurt	2.775	4.33	12.28	37.25	1.889	5.628	34.48	34.44
London (to)	1.55	2.48	7.03	22.48	1.103	3.51	17.45	28.2
Norway	1.0224	2.2933	59.47	197.3	0.84	2.524	76.9	22.75
Paris	1.365	2.16	6.55	20.33	0.84	2.524	76.9	22.75
Porto	7.27	11.58	35.2	112.8	5.55	15.83	39.84	44.22
Stockholm	2.04	3.235	9.845	31.85	1.342	7.44	4.19	24.95
1000	0.9151	0.8704	2.363	0.8028	1.2428	3.54	45.227	1.989
1500	1.1818	1.0484	2.915	1.047	1.6284	3.985	51.427	2.254

Dollar Values		Per \$		Per \$	
Swiss	0.54	Swiss	0.54	Swiss	0.54
Australian	1.17	Australian	1.17	Australian	1.17
Belgian	1.74	Belgian	1.74	Belgian	1.74
Canadian	0.71	Canadian	0.71	Canadian	0.71
French	0.74	French	0.74	French	0.74
German	0.48	German	0.48	German	0.48
Italian	1.36	Italian	1.36	Italian	1.36
Japanese	0.0074	Japanese	0.0074	Japanese	0.0074
Norwegian	0.015	Norwegian	0.015	Norwegian	0.015
Portuguese	0.136	Portuguese	0.136	Portuguese	0.136
Spanish	166.5	Spanish	166.5	Spanish	166.5
Swedish	0.136	Swedish	0.136	Swedish	0.136
Swiss	0.54	Swiss	0.54	Swiss	0.54
U.S.	1.00	U.S.	1.00	U.S.	1.00


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NEW EUROBOND ISSUES

Borrower	Amount (millions)	Maturity	Coupon %	Price	Yield At Offer	Terms
Air Canada	DM 100	1993	7 1/2	99 1/2	7.45	Noncallable.
ANAS	DM 100	1988	8 1/2	100	8 1/2	Noncallable.
Crédit Foncier	DM 100	1991	8	100	8	Noncallable.
Renault Acceptance	DM 150	1990	8	100	8	Noncallable.
S. African Transport Services	DM 100	1990	8 1/2	99 1/2	8.30	Noncallable.
CEPME	£ 30	1995	11 1/2	100	11 1/2	First callable at 100 in 1993. Sinking fund to start in 1993 to produce 11.4% average life. Convertible every 6 months until 1988 into floating-rate dollar paper due 1995 at a fixed rate of 11.5% per pound. Interest on the float will be set at Libor with a minimum coupon of 5 1/2%.

Air Canada	DM 100	1993	7 1/2	99 1/2	7.45	Noncallable.
ANAS	DM 100	1988	8 1/2	100	8 1/2	Noncallable.
Crédit Foncier	DM 100	1991	8	100	8	Noncallable.
Renault Acceptance	DM 150	1990	8	100	8	Noncallable.
S. African Transport Services	DM 100	1990	8 1/2	99 1/2	8.30	Noncallable.

CEPME

£ 30

1995

11 1/2

100

11 1/2

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Rise in U.S. Money Supply Is Bad for Market

(Continued from Page 9)

small and medium-sized businesses, CEPME. During the first five years, holders can convert the sterling bonds to dollar-denominated floating rate notes.

The exchange rate is fixed for the five years at \$1.55 per pound, an attractive deal, bankers say, because five-year currency options are not easy to come by and, if they could be arranged, would cost more.

In this case, the cost to investors is minimal. The sterling coupon of 11 1/2 percent is about 1/2 point below what investors could earn buying British gilts, and the dollar floating rate note, with interest to be set at Libor, is about 1/2 point below what would be earned buying an ordinary floater.

But if sterling interest rates fall, the value of the 12-year sterling bond could soar. Likewise, movements in the foreign exchange market could make the fixed sterling-dollar exchange rate very attractive.

The complexity of the terms got the issue off to a slow start, but bankers report that demand is picking up as sophisticated institutional investors study the terms and the size of the deal could be increased. The paper, indicated at a discount of 2 percent early last week, ended Friday quoted at a discount of 1 1/2 percent.

The rise of the dollar against the

Rockwell Is Awarded Contract for Satellites

Los Angeles Times Service

LOS ANGELES — Rockwell International Corp. has won a \$1.2-billion Air Force contract to produce 28 navigational satellites for its division in Seal Beach, California. The contract will add about 200 jobs over the next five years, the division said.

The contract, awarded Friday, was described by the Air Force as the largest ever for satellite production. The satellites, to be launched beginning in 1986 from space shuttles, are designed to provide locations for aircraft, ships, tanks, trucks and troops within an accuracy of 10 to 15 meters (33 to 49 feet), a Rockwell spokesman said.

mark Friday will be bad news for German bankers, who the same day set a calendar of 2 billion DM worth of new issues for the next six weeks. This was a bit larger than most bankers had been forecasting and can be taken as a sign of the Bundesbank confidence in the outlook for the trade balance. The central bank encourages capital exports as an offset to its trade surplus.

The end of the previous calendar saw government-owned Air Canada offer 100 million DM of seven-year bonds bearing a low coupon of 7 1/2 percent. The paper was priced at a discount of 1 1/2 percent, the yield to 245 percent. Lead manager Deutsche Bank said the issue was timed to coincide with the maturity date of 600 million DM of Canadian government bonds issued in 1978, giving those bond holders the opportunity to move back into a Canadian issue.

Despite the low coupon, the Air Canada paper was quoted at a discount of 1 percent.

Andi-NSU Union, a unit of VW, canceled its scheduled foray to the market when it could not agree with lead manager Commerzbank on the coupon to be offered. The company insisted on 7 1/2 percent while the lead manager held out for 7 3/4 percent, insiders reported.

Renault, meanwhile, fared poorly with its 150 million DM of seven-year notes priced at par bearing a coupon of 8 percent. The paper was moving slowly and quoted at a discount of 1 1/2 percent.

There has been a flood of French paper in all sectors of the bond market. The particularly bad reception in the dollar sector, where too many issues, too large in size were marketed with too similar a construction, is now being interpreted as a weakness of France's credit

standing and spilling over to other markets.

Some bankers maintain that the credit standing of French borrowers would improve if the flow of issues was better timed in terms of size and timing.

That said, the first issue of the new calendar was for France's Credit Foncier. Its 100 million DM of eight-year bonds are being offered at par bearing a coupon of 8 percent, hardly appealing when Renault, for a one-year shorter maturity, is trading at a discount.

The only issue to be launched this week is for the World Bank. Its 250 million DM offering will be followed June 6 by the Common Market, which will be seeking a similar amount. Bankers noted that the EC issue has nothing to do with the community's need to raise the equivalent of 4 billion ECUs for France.

International Herald Tribune

Portable Computer Market Risky

(Continued from Page 9)

sewing machine case. They weigh 20 to 30 pounds (9 to 14 kilograms) and can be carried from one place to another but cannot easily be used on route because they do not work for long periods on batteries.

Once known as portable computers, these machines are now called transportable computers, to distinguish them from smaller machines that are more easily moved.

The more portable machines like the Gavilan's machine, which will sell for \$4,000, has built-in software, a tiny disk drive, and a feature that allows users to move the pointer on the screen and perform tasks by touching their fingers along a touch-sensitive keyboard.

Many other companies also showed transportable or briefcase-sized computers, but it seems certain that not all will succeed.

"It's easy to introduce one product but it's difficult to build a company," said Robert Jamich 2d, president of Osborne Computer. Osborne, designer of a highly successful initial product, has fallen victim to competitors.

In January its management was restructured. Mr. Jamich, formerly president of Consolidated Foods, was brought in as chief executive,

replacing Adam Osborne, the founder, who remains as chairman. In addition to portability, the Osborne I offered a highly attractive price with software included. More than 100,000 of the machines were sold in 1982, making Osborne a \$100-million company, according to some estimates. Analysts say, however, that the company has not been profitable.

Somewhat similar difficulties have befallen Grid Systems, which last year introduced the most technologically sophisticated portable computer. But the product, which sells for more than \$8,100, has not done as well as expected.

The company has brought in new management and revamped its product and marketing strategy. Glenn T. Edens, vice president of market development, said the strategy was working and that the company would record revenue of at least \$25 million in 1983 and be profitable by summer.

With technological advances occurring so rapidly, no company can expect to stay in the forefront for long. Mr. Edens said of his product: "It's been hard to get it there. Now it's even harder to keep it there."

Spanish \$600-Million Loan Delayed a Week

By Carl Gewirtz

International Herald Tribune

PARIS — A week after receiving the mandate to manage Spain's \$600-million Euroloan, Chase Manhattan Bank and Morgan Guaranty Trust are just beginning to approach other banks to join in forming the lead management group.

Spokesmen for the two banks attributed the week's delay to developing a strategy that would conform to the government's desire to maximize the portion of the loan tied to the cheaper London interbank offered rate as the base charge.

Lenders have the option to peg the loan charge to the prime rate, which is currently 10 1/2 percent. The six-month Libor rate is 9 1/2 percent.

The syndication strategy adopted by the two banks indicates that at least half the loan will be tied to

Libor. The objective is to do better than that, but the managers are not stating what the ultimate goal is.

To achieve this, all banks accepting to join as lead managers must agree to tie a minimum of 50 percent of their underwriting commitment to Libor. An underwriting fee of 0.15 percent will be paid.

In addition, the fees paid on the

amount each bank takes on its own books will be set to enhance the appeal of the Libor portion. A commission of 0.35 percent will be paid on the Libor-based portion and only 0.25 percent on the prime-based portion.

The loan is divided equally into an eight-year loan, with interest set at 1/2 point over Libor or 1/4 point over the prime rate, and a five-year loan, with interest at a split 1/2-1/4 point over Libor or 0.2 percent over the prime rate.

While the managers affirmed that there had been no dispute with Japanese banks over their joining the operation, a Japanese banker insisted that the matter was, in the words of one, "a very touchy subject."

The understanding by at least some Japanese bankers was that they were to be asked to join provided they limited their entire participation to the Libor-portion of the loan, a restriction they argued put them on an unequal footing with other managers. By Friday, however, the misunderstanding was put to rest with Bank of Tokyo agreeing to be co-agent, along with Chase.

Spokesmen for Chase and Morgan said they never contemplated asking the Japanese banks to limit their take to Libor only.

Comments from a wide selection of bankers last week indicated overall satisfaction with the terms of the loan, particularly what they called the realistic pricing.

The other big talking point of the week was the anticipated \$3.7-billion Common Market loan to finance its credit to France. The excitement was a bit premature as EC

officials have only just met with French Treasury officials to discuss details — maturity, currency composition and the like.

While France had announced months ago its intention to ask the EC for a loan, rumors in the market tied the timing to the withdrawal of half of the \$4 billion that Saudi Arabia is reported to have deposited with the Bank of France.

Meanwhile, bankers were arguing whether a portion of the loan would be denominated in European currency units, the Common Market's composite currency, and whether the dollar amount could be financed using only Libor as a base rate. The most intense debate concerned the margin, with some bankers insisting that a portion of the loan could be marketed at 1/2 point over Libor and others claiming that such thin pricing for such a big loan could not be sold.

The \$600-million for Algeria's oil agency, Sonatrach, already increased from \$500 million, may be increased again to \$700 million, bankers close to the transaction report. Interest on the eight-year loan is set at half a point over Libor for

the first two years and 1/2 over for the final six years. A 1/2 percent commitment fee and a front-end fee of 1/4 percent help to boost the return to lenders.

The \$300-million loan for Oman, massively oversubscribed, was not increased because government officials said they did not need the extra money. As a result, managers will be taking on their own books only 60 percent of the amount they initially committed.

Turkey has accepted the proposal put by bankers and will raise \$200 million for five years. Interest will be set at 1 1/2 points over Libor or 1 1/4 points over the prime rate.

In Singapore, the first syndicated loan — a relatively small \$14.25 million ship financing — to meet the Monetary Authority's requirements for exemption from local taxation has been arranged by Bergen Bank Asia. The tax holiday, which came into effect April 1, is aimed at promoting loan syndication activities in Singapore by requiring that the bulk of the financing, documentation and other technical work be done out of Singapore.

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